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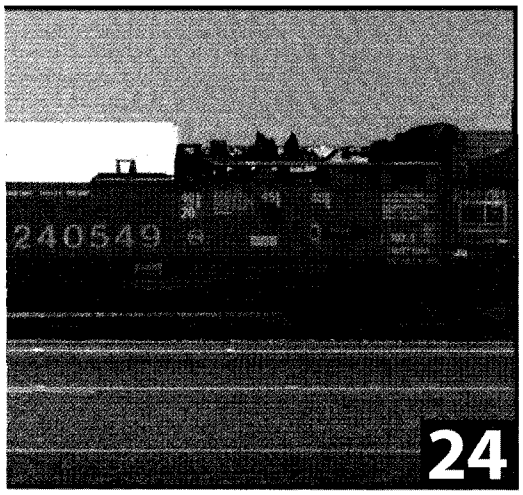

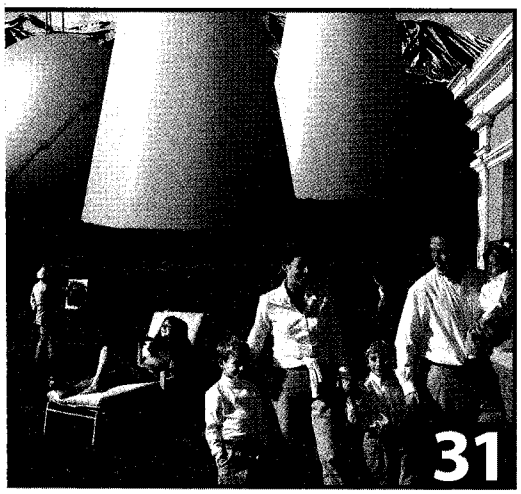

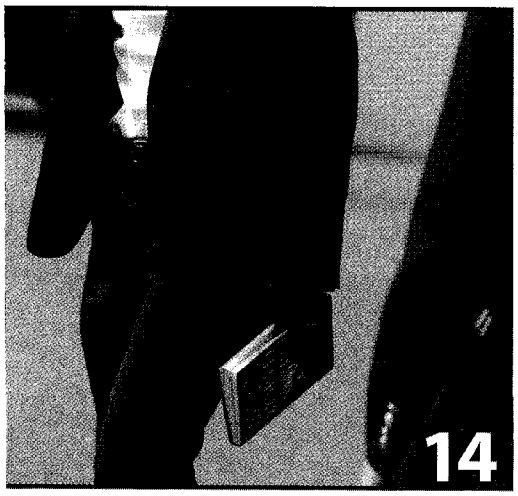

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COVER

Back on Tracks 24

A nineteenth-century technology could be the solution to our twenty-first-century problems.

by Phillip Longman

Bad Reactors 31

Rethinking your opposition to nuclear power? Rethink again.

by Mariah Blake

FEATURES

What Obama Should Read 14

Twenty-five books the new president should have by his bedside.

The Little Unions That Couldn't 20

Card check is worth fighting for—except for the "card check" part.

by T. A. Frank

Toy Story 39

Does the reform of a small agency herald the return of competent government oversight?

by Matthew Blake

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DEPARTMENTS

Editor's Note: The Deliberator 3

Letters 4

Tilting at Windmills 6
The best and the blindest ... Selective morality ... Sex, lies, and land management ... In praise of vegetable soup
by Charles Peters

TEN MILES SQUARE

L. Ron-dezvous 11
by Ben Adler

ON POLITICAL BOOKS

We Are All Keynesians Again 42
Why Ben Bernanke isn't listening to Robert Samuelson.
by James K. Galbraith

Our Man in Tel Aviv 44
What will be Hillary Clinton's strategy for Middle East peace? The memoir of her husband's ambassador to Israel may provide hints.
by Daniel Levy

Good Fortune 47
Malcolm Gladwell rethinks the secret to success.
by David Wallace-Wells

Lost in Their Bloomberg Terminals 50
The Wall Street wizards who brought on catastrophe by pretending to eliminate risk.
by Brendan I. Koerner

Courage in Profiles 52
How Marjorie Williams rendered the lives of Washington's powerful.
by Margaret Talbot

Guacamole on Your Shorts 55
Searching, futilely, for the Super Bowl's deeper meaning.
by Jamie Malanowski

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Editor's Note

PAUL GLASTRIS

The Deliberator

One of the things I like most about Barack Obama is the methodical way his mind seems to work. He approaches problems openly and calmly, looks at the facts carefully, and avails himself of many points of view. He isn't satisfied with off-the-shelf answers, is guided more by the long view than the short term, and by empirical rather than ideological considerations, and in general makes decisions at his own pace. He seems, in short, almost the opposite of George W. Bush, who famously went with his gut, kept his circle of advisers extremely small, and stuck too long with decisions made too quickly. If Bush was the Decider, Obama is the Deliberator.

The irony is that Obama is taking office at a time when he will have little opportunity to exercise his deliberateness. Because of the economic crisis, he must make huge decisions very quickly—in particular, how to spend upward of a trillion dollars on an economic stimulus plan built around infrastructure and clean energy.

Such investments, if done right, could do wonders for the country. And the outlines of the package he and his team sketched out in December make great sense—a combination of "shovel-ready" construction projects to jump-start employment and longer-term initiatives to reduce greenhouse gases.

Still, if you spend that much money that quickly, without sufficient time to air all the options and weigh all the pros and cons, you're liable to make mistakes. And unlike, say, tax laws, infrastructure decisions are not reversible. Once the concrete begins to set, you're stuck with them.

Right now, all of Washington seems to agree that we should spend a big chunk of that $1 trillion on highways. As Phillip Longman of the New America Foundation argues in this issue (see page 24), taxpayer money could be more wisely invested in expanding and electrifying the nation's underfinanced and overburdened freight rail system. Doing so would allow trains to carry most of the cargo now being shipped by the long-haul trucks that clog and tear up our interstates. The result would be less road congestion, fewer traffic fatalities, reduced road repair bills, and—because trains are ten to twenty times more efficient than trucks at hauling cargo—dramatic decreases in energy use and greenhouse gas emissions. Yet despite these astonishing potential benefits, almost no one in Washington is talking about major investments in freight rail.

One thing that is getting talked up is nuclear power. Because it produces zero carbon emissions, and because—according to the industry—a new generation of nuclear plants is simpler and less expensive to build, even many liberals who once opposed nuclear power outright are now open to expanding it. Obama is a qualified supporter, as is his nominee for energy secretary, Steven Chu. So was I, until journalist Mariah Blake (now a *Washington Monthly* editor) came to us with her story (see page 31) about the actual costs of "next-generation" nuclear plants, which turn out to be astronomical. Now, I'm coming to the conclusion that we'd be insane to put another dime of taxpayer money into nuclear power.

The true costs of nuclear energy and the advantages of freight rail are not widely understood among the political classes in Washington. That's not because they're state secrets. It's because facts like these don't circulate outside very specialized circles until there's a full national debate on a policy subject. And since the agenda of the party in power generally determines what gets debated, there are many important discussions we simply haven't had for eight years. We've spent more time arguing over whether global warming exists than over which policies would fight it most effectively, because of the Bush administration's hostility to the whole subject. Similarly, we are now scrambling to figure out how best to regulate the murkier aspects of high finance because regulation in general simply wasn't something the Bush administration was interested in doing.

With the Republican Party out of power, it's now possible to have these kinds of discussions. Unfortunately, there is not much time in which to have them. The Democrats feel not only the pressure to respond to the economic crisis quickly, but also the temptation to jam through as much legislation as possible while the political moment is right.

What we need to do is figure out how to cram eight years' worth of policy conversation into the next six months. That may not be as impossible as it sounds. If technology can shrink the news cycle, maybe it can shrink the policy debate cycle, too. The Obama administration already has a nascent effort to keep its campaign supporters engaged through policy discussions on its change.gov website. Journalists and bloggers could follow suit by shifting some of their focus—as I suspect their audiences may now want them to—from politics to policy. America can be a deliberative democracy again. We just have to learn how to do it fast. WM

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HYBRID VIGOR

"The Plug-in Revolution" (by Jeffrey Leonard, August/September/October 2008) gets the general prescription (an all-electric future) right, but going directly to an all-electric road transport system is as unlikely today as it's been for the last ninety years. The "plug-in" piece that actually works is the plug-in hybrid (PHEV) that Leonard dismisses as "yesterday's news." Hardly. Unlike Leonard, most people can't afford different cars for different uses. For the typical consumer, it's too expensive to acquire, insure, maintain, and park two totally separate drivetrains, whereas the PHEV puts both drivetrains in a single box that everyone already understands how to use. Marginal cost? Low. Barrier to adoption? Low. Economic, environmental, and national security impact? High.

I wrote a book about the history of the electric car (*The Electric Vehicle and the Burden of History*, 2000), and Leonard sounds a lot like the directors of electric utilities who created the Electric Vehicle Association of America—before World War I. Where are we today? Still waiting. The pure, battery electric vehicle will not arrive on its own, but will follow in the footsteps of the plug-in hybrid.

David Kirsch, PhD
Associate Professor,
University of Maryland
College Park, Md.

Jeffrey Leonard replies:
Professor Kirsch is right about many of the barriers to a radical leap to all-electric cars, and I appreciate his clarifications in regard to the important role of PHEV technologies in the coming decade. PHEV is certainly a bridging technology. My intent was not to gloss over PHEV, but rather to illustrate that even today there are some applications for pure electric cars, and that PHEV, as Kirsch says, is only a step toward full electrification. Starting immediately, and without a doubt encompassing PHEV technologies, long-term-looking policy bias should be toward gradual and maximal electrification.

For the record, the Reva car I drive costs $10,000. As it happens, Kirsch and I live in the same zip code, where (according to the latest census) the average household size is 2.2 people. Yet more than 65 percent of all households have two or more cars. More than 50 percent of the residents in our zip code have less than a thirty-minute commute to work, and the overwhelming majority live within a fifteen-minute drive or bus ride of a Metro station. Of those who drive to work, some three-quarters drive alone. In short, a pure electric car for commuting is in keeping with the lifestyles of most of our neighbors—and probably cheaper than the second car more than half of them already own.

SMALL IS BEAUTIFUL

I know I'm prejudiced because I ran a small bank in Saugerties, New York, but I really feel that your article ("Too Small to Fail," by Phillip Longman and T. A. Frank, November/December 2008) hit the mark. When I first started in a small bank and got involved in community organizations, there were many "mom-and-pop" operations you could tap if you needed to raise money for a project. Most of those resources are gone today. Since there are so few left, those of us who remain are overwhelmed with requests. Many projects just don't get done anymore, because there isn't anyone to fund them. On the loan side, I can tell you that for the last few years, some of our lending officers were laughed at when they were asked for pay stubs or a statement of assets and liabilities. One customer said, "I don't have to put up with this crap; I'm going to a big bank where they aren't so picky about things." It's easy to forget that sometimes saying no is the nicest thing you can do for someone.

Tony Semento
Via e-mail

OFF THE DEEP END

Editor's note: The November/December 2008 issue of the Washington Monthly *featured an article by David Axe about inefficient Coast Guard procurement practices, with the title "Sunk Costs: Why, after $24 billion in upgrades, the Coast Guard still deploys a fleet of rust-buckets." Some letter writers have noted that the headline inaccurately suggested that the $24 billion had already been spent, when in fact the figure was the projected cost of the Deepwater program over twenty years. They are correct, and we apologize for the error. The cost of the program is, however, described accurately in the story itself.*

In the November/December 2008 article by David Axe, "Sunk Costs," the author correctly captured many of the challenges faced in the early years of the Deepwater program, including the Coast Guard's disappointment in the 110-foot to 123-foot patrol boat conversion, a project that the Coast Guard stopped two years ago. Where Axe and I differ most is that he does not portray the thorough, disciplined acquisition reform that the Coast Guard has since implemented, and the state of the Coast Guard acquisition enterprise today.

The arrival of the Coast Guard's new commandant, Admiral Thad W. Allen, in May 2006 signaled the beginning of a new era in Coast Guard acquisition—and a new consolidated organization which I have been privileged to lead. Numerous steps were taken to improve the Coast Guard's acquisition practices, including: establishing balance between requirements and resources; using independent (third-party) cost estimates; in-

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cluding Coast Guard technical authorities in acquisition decisions; aligning our acquisition policies and processes with those of the Department of Homeland Security; working with third-party partners; and developing organic workforce competencies in program management, contracting, and business and financial management; and requiring use of business case analyses. The Acquisition Directorate, which recently reached full operational capability, has also implemented a strategic plan—referenced as a positive development in both GAO reports and congressional testimony—to permanently incorporate these improvements as part of the transformation of our acquisition organization.

We are already seeing positive results. The national security cutter *Bertholf* recently completed its first operational patrol. A second production facility has opened in Green Bay, Wisconsin, for the response boat (medium). We have awarded contracts for the design and construction of the sentinel class patrol boat, and for six ocean sentry marine patrol aircraft, one of which has already been accepted. These recent milestones, among others, exemplify how we are implementing lessons learned and ensuring that all projects benefit from the process improvements and mature technologies developed over the last several years in building a twenty-first-century Coast Guard. The American public expects that their Coast Guard will be properly equipped, on that we can all agree. Learning from the past and ensuring that past mistakes are not repeated—versus dwelling on decisions made several years ago—is the best acquisition approach as we move forward.

Rear Admiral Gary T. Blore
Assistant Commandant for Acquisition, U.S. Coast Guard
Washington, D.C.

I was quite disappointed by David Axe's recent article, "Sunk Costs." While I appreciate the moral support, Axe's long-winded rant contained significant exaggerations and errors, along with blatant, if nostalgic, propaganda suing for a return to the pre-9/11 Coast Guard. Although Government Accountability Office reports and other sources catalog errors in Deepwater program management, including several shortcuts that turned into longcuts, Axe overestimates the scale of the problem by orders of magnitude. The $24 billion figure he cited is the rough order-of-magnitude estimate for the entire Deepwater program over its twenty- to thirty-year programmed period of investment. Since the contract was awarded in 2002, less than $1 billion per year has been invested in Deepwater. It is absolutely true that too much has gone wrong in a program on which coastguardsmen depend for urgent recapitalization of their dead and dying equipment. But the problematic sums fairly logged by Axe—including the $100 million invested in the retired 123-foot patrol boat conversions, the yet undetermined cost to retrofit the first three national security cutters to meet their intended service lives, and the considerably smaller sums involving the composite fast response cutter design and cutter small boats—don't add up to $24 billion.

Of the noted issues, the only fielded platform to actually fail was the 123-foot patrol boat conversion. The cutter boats in question never made it past prototyping. The developmental fast response cutter design was abandoned. The first NSC just completed its first operational patrol, and is serving the taxpayer as intended at this moment. The first few NSCs will require retrofitting to meet all intended operational requirements for the intended service life, but the present investment has not been lost.

As an end user of the Deepwater system, I have as much reason to be disappointed, yet hopeful, as anyone else. Nevertheless, exaggerations and mistruths are counterproductive. Let us get the discussion right, so we can get the system right. Save the axe grinding for turkeys.

Russ Bowen
Washington, D.C.

David Axe replies:

Russ Bowen is correct in asserting that the Coast Guard has not wasted $24 billion on Deepwater [see Editor's note, above]. But he is incorrect in stating that only $100 million, the cost of the scrapped 123-foot patrol boats, has been wasted on the program so far. According to cost projections in early 2008, the first three national security cutters—which are paid for—have exceeded their original price tags by an average of 90 percent. Original 2002 projections had the cutters costing an average of $300 million. By 2008, average cost was more than $500 million. The Coast Guard also has yet to release firm figures regarding the money that was wasted developing surveillance technologies which were abandoned as rising shipbuilding costs crowded out funding for other systems. Nor do we know how much delays in the construction of the fast response cutters that were contracted last year will cost. And delays to key Deepwater equipment mean tens of millions of dollars being poured into maintaining old vessels.

In short, it is safe to estimate that the total Deepwater bill, by now, is over $1 billion. And, as Bowen has pointed out, Deepwater has received only $1 billion per year, on average, since 2002. Waste to this point equals an entire year's investment in the program.

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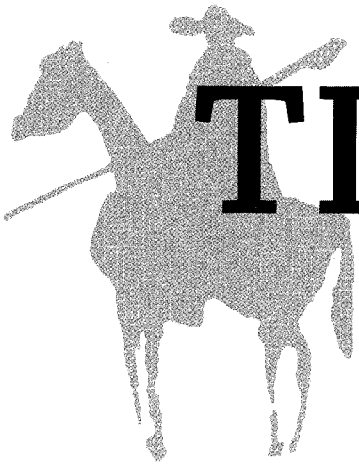

TILTING *at windmills*

By Charles Peters

But I *need* that walk-in humidor!

Should you still need convincing that Wall Street salaries and bonuses have been excessive, consider this fact supplied by former newspaper reporter and Wall Street executive William D. Cohan in the *New York Times*: "Compensation has historically consumed half or more of every dollar of revenue generated on Wall Street."

Wall Street tells us it's reforming, that salaries and bonuses are being cut back, and *Vanity Fair* has recently published an article by Michael Shnayerson describing the kind of sacrifices Wall Streeters are now making. One example was a woman who "stood in her vast clothes closet not long ago, talking to her personal stylist. On shelves around her were at least 10 designer handbags that had cost her anywhere from $6,000 to $10,000 each." She complained: "'I don't know what to do. I guess I'll have to get rid of the maid.'"

"Why not sell a few of those bags?" her stylist thought, but didn't say.

"'Well,' the executive said after a moment, 'I guess I'll cut her from five days a week to four.'"

Displaying its own dedication to frugality, AIG has sold two of its private jets. Of course, according to the Associated Press, seven remain available to spare its executives the discomforts of air travel experienced by the rest of us. I think we can fairly say that there's still room for a little more sacrifice.

How to make Washington really work

Obama's choice to head the Office of Management and Budget, Peter Orszag, is troubling, because his experience is far more on budget than management issues. Obama praised him for knowing where the bodies are buried, but the example he gave of a body was the farm subsidies wasted on millionaires. Actually, most OMB directors have been aware of that scandal, but couldn't do anything about it because of the influence special interests exert over Congress. That doesn't mean waste shouldn't be a target of the OMB, but making government work is an even more important objective. Crucial functions like those performed by the CIA, the FBI, the CDC, and the FDA need to be performed much more effectively. Indeed, there aren't many agencies that don't have serious need to get better.

It's not that the OMB should manage in the sense of telling agencies what to do, but rather that it should give the president the information about what these agencies are really doing that he needs to run the government and get it to perform as it should.

> If you wonder why there's been so little media criticism of the Obamas for their school choice, you have to understand that the media elite are also part of the private-school gang.

Student loans breed student greed

In our last issue, I wrote about how in the early 1980s it seemed to me that greed was taking over as the strongest motivation of the young. A study at UCLA suggests the date was a bit later, beginning in the 1990s, when for the first time a majority of the students, when asked why they were going to college, gave "making a lot of money" as the main reason.

It must be acknowledged, however, that there's one very practical reason that students see the need to make a lot of money. It is to pay off those student loans, which now constitute a huge burden for the average graduate.

Pending the great day when the government can pay for higher education for all qualified students who can't afford it, the best solution is to immediately go to a program of direct low-interest loans from the government to the stu-

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dents that can be repaid in installments over whatever period of time is needed to make them bearable.

Mom, I can't find my golf clubs!

By the way, I came across the UCLA study while reading a great article on my pet peeve, overparenting, by Joan Acocella in the *New Yorker*. She actually urges letting a child play on his own, a thought that absolutely panics my son and daughter-in-law and practically all of today's conscientious parents. She also sees many of these parents pay the price of overparenting when their still-dependent college-graduate offspring come home to live.

The best and the blindest

The most disturbing fact about Obama's brilliant economic team is that none of them is noted for having foreseen the present financial meltdown, and several actually advocated the deregulation that turns out to have been a major culprit. I'm also disturbed to hear that Timothy Geithner, the new secretary of the treasury, is said to be down on Sheila Bair, the head of the FDIC, because he regards her as not being a team player.

Bair is alone among the leaders of our present economic agencies in having seen that stopping the flood of foreclosures was the key to stopping the meltdown, while everyone else, including Geithner, was advocating the top-down approach of helping Wall Street. Recently, however, Federal Reserve Chairman Ben Bernanke has finally seen her point, according to Edmund L. Andrews of the *New York Times*, who reports that Bernanke is now urging "government-engineered loan modifications, and more taxpayer money to help people refinance—to keep people in their homes."

Selective morality

A lot of the big shots who supported the Wall Street bailout oppose help for homeowners facing foreclosure, on the moral ground that many of them got in over their heads and should have known better. This is truly laughable when you contemplate the morality of Wall Street. Besides, helping those facing foreclosure doesn't just help them. Assuming Obama can stop the hemorrhaging of jobs—even the most merciful mortgage payments are unlikely to be made by people out of work—this will stabilize real estate prices, which in turn should stabilize all the financial instruments related to mortgages.

> I think we can fairly say that there's still room for a little more sacrifice on Wall Street.

Another argument against preventing foreclosures is that it involves overcoming complex obstacles. But that seems to me just the right challenge for all those geniuses Obama has enlisted for his financial team.

A teachable moment

I'm delighted to see both David Brooks, in his column in the *New York Times*, and former *Monthly* intern Amanda Ripley, in a cover article for *Time* on Michelle Rhee, challenge Barack Obama to be courageous on the issue of public school reform.

During the campaign he spoke out of both sides of his mouth, seeming to curry favor with the unions and also praise Rhee, who is fighting them for the right to fire bad teachers. A discouraging sign that Obama is wimping out came from his selection of Linda Darling-Hammond to head his transition education policy team. Fourteen years ago she condemned Teach for America, a program that has had great success in bringing bright young teachers into the public schools, as "bad policy and bad education."

She is also a big advocate of teacher certification. The flaw in teacher certification is that it is largely based on degrees, and degrees can be, and indeed often are, granted by third-rate education schools. The result, as Joel Klein, the head of New York City's school system, recently put it, is that "we draw teachers from the bottom quarter of our college graduates."

The teacher's unions, whose cause Darling-Hammond champions, advocate across-the-board pay raises for teachers. The trouble is that raises for everyone encourage bad teachers to stay in the system. The money for raises should go to reward good teachers and to attract talented new hires, who should be hired not on the basis of education credits, as the current system too often dictates, but on the basis of subject knowledge and teaching ability.

Sidwell already has enough friends

By sending their children to private school without even looking at public or charter schools, the Obamas are in danger of joining the Washington elite who, with their own kids safely in private schools, have for far too long neglected the plight of the public schools, because they have no personal stake in them.

If you wonder why there's been so little media criticism of the Obamas for their school choice, you have to understand that the media elite are also part of the private-school gang. For instance, the *Washingtonian* magazine recently disclosed that Bob Woodward's number one charity is Sidwell Friends, which is, of course, attended by his own children and now the Obamas'. In addition to Woodward, Sidwell parents include "more than half a dozen parents who work at *The Washington Post*, including columnist E. J. Dionne," a fact supplied by the *Post* itself in a story by Anne Kornblut.

Beyond the bubble

It was good to hear Obama tell Barbara Walters that he wanted to keep his BlackBerry so he could reach outside the White House staff for information and advice. Clearly he knows the dan-

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ger of becoming isolated in the White House bubble.

But what worries me is whether he understands the danger of the larger Washington bubble, which consists of the White House, Congress, the top levels of government agencies, and the Washington press corps. An example of this larger bubble is the ignorance of the deterioration of FEMA before Hurricane Katrina, ignorance of which not only the White House and Brownie were guilty, but also Congress and the Washington media. And recall that the great majority of reporters and congressmen joined the White House and George Tenet in failing to question the bad WMD intelligence before we invaded Iraq.

> There aren't many federal agencies that don't have serious need to get better.

Clinton's cops

For those inside the Washington bubble, reality has been changed when a new policy is declared by the president or law enacted by Congress. They seem to assume that whatever is decided in Washington will be faithfully carried out in the field. Recall how Bill Clinton, even when his police program had barely begun to be implemented, conjured up images of a hundred thousand blue-coated officers already walking their beats, accepting apples from grateful grocers and patting the heads of smiling children as they brought peace and security to neighborhoods formerly ridden with crime.

The curiosity of hope

As I wrote in *Newsweek* in December, for a president to succeed in puncturing the Washington bubble, he has to make sure that not just the generals but all of the troops, military and civilian, are clear about their assignments. He must be clear that the implementation of a policy is just as important as that policy being right. To do that, there is no better advice for him to follow than the advice Jack Reed gave him in Iraq (which I quoted in our last issue)—to reach down and out to the people on the front lines where policy meets reality.

To follow that advice effectively, the president must have a characteristic conspicuously missing from George W. Bush: curiosity. His desire to learn must be very nearly insatiable, and it helps to have an instinct for the right question.

Does that sound like Barack Obama? One indication is supplied by my friend James Fallows, who a couple of years ago found himself standing behind Obama in a commencement line of honorary degree recipients. Obama knew about Fallows's reporting on Iraq and the Pentagon, so he didn't waste time on chitchat, but instead launched into a series of queries about how our army was doing in training the new Iraqi army, asking, among other things, "Does the incentive system in the U.S. Army offer sufficient reward for success in training Iraqi troops?"

I find that encouraging.

The Cartier poll

I live on the edge of one of Washington's wealthiest neighborhoods, Foxhall. During the fall political campaign, a luxury boutique serving the area sold jeweled McCain and Obama pins. It posted in its window a sign showing the results, so customers and passersby could see which candidate was winning. Obama led throughout, winning by a margin of almost two to one.

In other words, he did better among rich Washingtonians than he did in the nation as a whole. I believe this was true throughout the Northeast, and it leads me to conclude that there has been a major shift in the politics of the affluent, who for most of my life have been staunchly Republican but now appear to be trending to the left, at least to the moderately liberal. My best guess is that this reflects the increasingly meritocratic nature of the nation's financial elite. The fellows who have the best test scores and got into the Ivy League schools not only are becoming president, but they're getting rich as well.

There's a danger in all this for Obama and his fellow meritocrats in the administration. They may unconsciously tend to adopt the attitudes of the rich, as many of them have already done in the case of private schools.

Blind into Kabul

I share the concern about Obama's plans for a substantial troop increase for Afghanistan, expressed by MSNBC's Rachel Maddow and the *New Republic*'s Michael Crowley, among others. It seems to me that we should remember that our target is al-Qaeda, that if we let ourselves get bogged down trying to defeat the Taliban, we will find ourselves in the same quagmire as the British and Russians before us.

Certainly the Taliban is terrible, especially for Afghan women, just as Saddam Hussein was terrible for the Kurds and Shiites. So we should deplore and seek to undermine the Taliban for moral reasons. And it would be great if we could defeat them with a small Special Forces–type antiguerrilla campaign. But putting large numbers of troops through another wringer after Iraq for any reason other than our vital national interest strikes me as questionable at best.

The brain injury epidemic

Speaking of our troops, the Institute of Medicine has called on the Pentagon and the Veterans Administration "to confirm reports of long-term or latent effects of exposure to blasts" by veterans of the Iraq War. It seems so obvious that explosions within enclosed steel vehicles would cause brain concussions or worse that I would think every veteran who has been thus exposed should be thoroughly examined. According to the Associated Press, the Institute of Medicine estimates that 22 percent of wounded troops have brain injuries.

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Those metal shards will provide your recommended daily iron intake

When I said that the FDA needed to become more effective, I was guilty of understatement. "Everywhere you go, you hear the same chorus: The agency's in trouble," David A. Kessler, one of the better FDA commissioners, recently told Rob Stein of the *Washington Post*. "FDA is close to being at a tipping point—the agency is hanging on by its fingertips in protecting us," said William K. Hubbard, who has worked for the FDA for twenty-seven years. Another veteran FDA employee added, "I'm afraid we're going to see more horrible things happen if we don't get our act together on this." The agency was already plagued by the historic problem of insufficient funding—one result of which is that "food safety tends to get short shrift," Christopher Waldrop of the Consumer Federation of America told the *Post*—and by a tendency to defer to pharmaceutical and medical device manufacturers because of their power to make trouble for the agency with Congress. These problems have been exacerbated by the Bush administration's bias in favor of ideology over science. "The agency needs to get back to using science as the basis for its decision-making," says Jane E. Henney, who was FDA commissioner under Bill Clinton.

Labor's pains

Another agency needing reform is the Department of Labor, where the Bush administration has shirked its responsibility for workplace safety with inspection failures at the Mine Safety and Health Administration and the Occupational Safety and Health Administration. "My view is that this is a deeply troubled department," one critic told the *Post*. "As bad as the personnel situation may be in many departments, I think it tends to be worse in the Labor Department than it is in most places."

In fairness to the Bush gang, some of Labor's problems are longstanding. One article we did long ago on the work habits of its employees was entitled "9 to 3." And OSHA inspections have actually been on a declining trend since 1980.

But what about club sandwiches?

Speaking of food safety, FDA shares this responsibility with the Department of Agriculture. Sometimes it is difficult to tell who is responsible for what. Open-faced meat sandwiches with one slice of bread are inspected by Agriculture, while the FDA inspects packaged meat sandwiches with two slices of bread.

The case for patronage

Three hundred thousand people have applied for jobs in the Obama administration, reports Neil Lewis of the *New York Times*. Unfortunately, he adds, there are only about 3,300 positions available for them to fill. But what about the civil service? Why not encourage the best of these people to apply for these jobs? The civil service desperately needs upgrading with fresh talent. And there should be lots of openings, because a large number of career employees are scheduled to retire soon.

The fact that applicants may have worked on the Obama campaign should not be held against them if they're otherwise qualified. I came to Washington after working on the Kennedy campaign in 1960. It was the last time this country has seen an outburst of enthusiasm for public service until today. The agency I worked for, the Peace Corps, was the beneficiary of this enthusiasm, attracting large numbers of highly qualified applicants to serve on its staff and as volunteers. The result was the successful birth of an institution that not only has lasted, but is still doing good. Obama should seize this moment of excitement, and use it to transform the federal government and revitalize the voluntary service movement.

> The most disturbing fact about Obama's brilliant economic team is that none of them foresaw the present financial meltdown.

For information that may save your child, turn to B32

The announcement of a product recall by the Consumer Product Safety Commission, like the passage of a law by Congress, does not necessarily guarantee action. The manufacturer and its retailers may not remove all the products from their shelves, either because the recall order is not mandatory or out of sheer carelessness. And consumers may not hear about the recall because of inadequate publicity. The *Washington Post*, for example, prints recall notices in its business section, which, to put it gently, is not always a must-read for busy parents.

Mission accomplished by some other guy

Douglas MacArthur has to rank as one of the more fascinating figures in American history. Was he the military genius who planned and executed the brilliant landing at Inchon, or was he the arrogant fool who ignored intelligence suggesting that Chinese Communists were sending troops into North Korea, and then wanted to use nuclear weapons to rescue his army and his reputation?

The number of people who thought of him as a hero is only matched by the number of people who felt he was a phony. Ammunition for the latter group comes from a new book, *The Question of MacArthur's Reputation*, by Robert H. Ferrell. It reveals that MacArthur's first award for heroism, the one that was the foundation of his reputation, was undeserved. He received the Distinguished Service Cross for "the manner in which he personally led his men" to victory

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in battle on the Meuse River. The only trouble is, he didn't lead his men in person—he was back at his command post behind the lines. But that didn't prevent him from believing the citation. "The time comes in every division," a fellow officer recalled MacArthur saying about his role in the battle, "when commanders must instill the fighting spirit into their commands by personal presence and example."

> Putting large numbers of troops through another wringer after Iraq for any reason other than our vital national interest strikes me as questionable at best.

Still dark as a dungeon, but a little safer

The foundation I head, Understanding Government, seeks better government through better journalism. An example of how this can work comes from my home state, West Virginia. After Ken Ward Jr. of the *Charleston Gazette* revealed in 2007 that the Mine Safety and Health Administration was far behind in its inspections of underground mines, MSHA commenced a "100 Percent Plan." And Senator Robert Byrd persuaded Congress to fund more inspectors. Now, "[f]or the first time ever," the *Gazette* was able to report as 2008 drew to a close, MSHA has "completed all of the quarterly inspections of underground coal mines that are required by a nearly 40-year-old federal law."

In praise of vegetable soup

I have a solution to the obesity epidemic. Let's reopen the cafeterias that were the most popular venue for low-cost dining when I was a boy, in the 1930s. My hometown had at least six very good ones. Washington had a great one, called Scholl's, that fed low-paid *Monthly* workers well into the '70s. New York City had its Automats, a fascinating variation on the cafeteria. Instead of having people behind the counter who handed you the dishes you selected as you passed through the cafeteria line, you put nickels in the slot to open a window, behind which was a serving of the dish you wanted. I can't explain why, but the process was fun, even for adults.

Both the cafeterias and the Automats offered a variety of healthy dishes along with the sinful. I fell in love with the vegetable soup at one of the Charleston cafeterias, but you can't get vegetable soup at McDonald's, KFC, or Burger King.

Sex, lies, and land management

At the Department of the Interior, selling out to oil and gas and mineral interests is a longstanding tradition that got worse under Bush. To make matters even worse, employee misconduct became a problem. The department's inspector general has accused thirteen employees of improprieties, including, according to Dina Cappello of the Associated Press, "having sex with energy company employees, accepting lavish gifts and rigging contracts to favored firms."

One female employee, who admitted to having a one-night stand with a Shell official, "reportedly passed out business cards for her sex-toy business, Passion Parties Inc., at work," and "admitted selling products to several of her subordinates." WM

Charles Peters is the founding editor of the *Washington Monthly*.

40th *Anniversary*

Looking back on our first issue forty years ago, we felt honored to have contributions from outstanding journalists, including Bill Moyers, Murray Kempton, and Calvin Trillin. But I find that I'm even prouder of the articles that ploughed new ground by delving into the culture of Washington, a subject that had heretofore been almost totally neglected. A rising young star named David Broder looked at the culture of the press corps, and the already-prominent columnist Russell Baker helped a neophyte, Charlie Peters, examine the culture of the executive branch, while James Boyd, in my favorite of all the articles, reached inside the culture of Congress in "Legislate, Who Me?: What Happens to a Senator's Day."

These articles came at a time when not only was the press ignoring cultural factors, but even the anthropologists who were supposed to study culture were, with a handful of exceptions like Michael Maccoby, ignoring the culture of modern organizations.

Of course, I'm proudest of all of our alumni, the brilliant young people who came here unknown but have gone on to become among the most respected journalists in America. They have become my extended family, and I treasure their friendship.

— ***Charles Peters***

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TEN MILES SQUARE

"... such District (not exceeding ten Miles square) ... [shall] become the Seat of the Government of the United States"

THE CONSTITUTION OF THE UNITED STATES

L. Ron-dezvous

By Ben Adler

The turn-of-the-century townhouse off Washington's Dupont Circle, partially hidden by trees, that once housed the office of Lafayette Ronald Hubbard, is so unassuming you could easily miss it. A small sign on the lawn is the only indication that 1812 19th Street NW is actually a museum dedicated to the history of Scientology—the religion that Hubbard founded, and that's been made famous by the likes of John Travolta and Tom Cruise—and is open to the public free of charge. On a pleasant evening after work in September, I paid a visit to what the museum describes as "the landmark location of the first Church of Scientology where writer, explorer and founder L. Ron Hubbard worked from 1957 to 1960 and established a legacy that increasingly influences human rights, religion, literature and education."

I was met by Sharyn Runyon, a casually dressed middle-aged woman with short hair and an abrupt, slightly imperious manner, who manages the house and leads the tours. I launched into some standard questions: How many visitors do you get? Are they mostly tourists or locals? Runyon cut me off, placing both hands on my shoulders. "Let's take the tour," she said.

We started in the first-floor parlor, where two rooms are devoted to photographic displays of Hubbard's life story. He was an Eagle Scout. He was a fraternity member (Phi Theta Xi, an engineering frat) at George Washington University. He was in the Explorers Club. And so forth. In 1932, Hubbard paid for a sailing expedition to the Caribbean by advertising in a local paper for "adventurous young men with wanderlust." The ad worked. "In the middle of the Depression he got all these people to pay $50 to go to the Caribbean," Runyon noted proudly. Hubbard got to go for free. From what I knew of Hubbard and financial contributions, I didn't find this anecdote surprising.

Curiously omitted from the exhibit were some of the more dramatic episodes of Hubbard's time on 19th Street. In 1958, the Food and Drug Administration conducted a midnight raid on the house, carting away thousands of suspicious pills. These proved to be vitamins. Five years later, the FDA returned, this time on a hunt for a device called the "E-Meter," an electronic contraption with two empty metal cylinders at the end. Scientologists, the FDA claimed, had been falsely promoting the E-Meter as a medical device.

Neither of these episodes represented the sort of relationship Hubbard wished to have with the federal government when he located his organization in Washington. An active, if often one-sided, letter writer, Hubbard penned unanswered missives to numerous public figures, including President John F. Kennedy, to whom he offered assistance in the fight against Communism. He also wrote frequently to the FBI, which proved to be no more responsive as a pen pal. In fact, only in 1977 did the FBI finally venture into Scientology, and even then it was just to conduct another raid, this time because church members had broken into an IRS office to see what files were being kept on their organization. (Scientology officials say they were concerned because they were on Richard Nixon's Enemies List, but that the members involved in the burglary were kicked out of the church.)

Despite such setbacks, however, Hubbard seems to have worked comfortably on 19th Street. Upstairs in the museum is a pleasant two-room office furnished in 1950s style, and included among orig-

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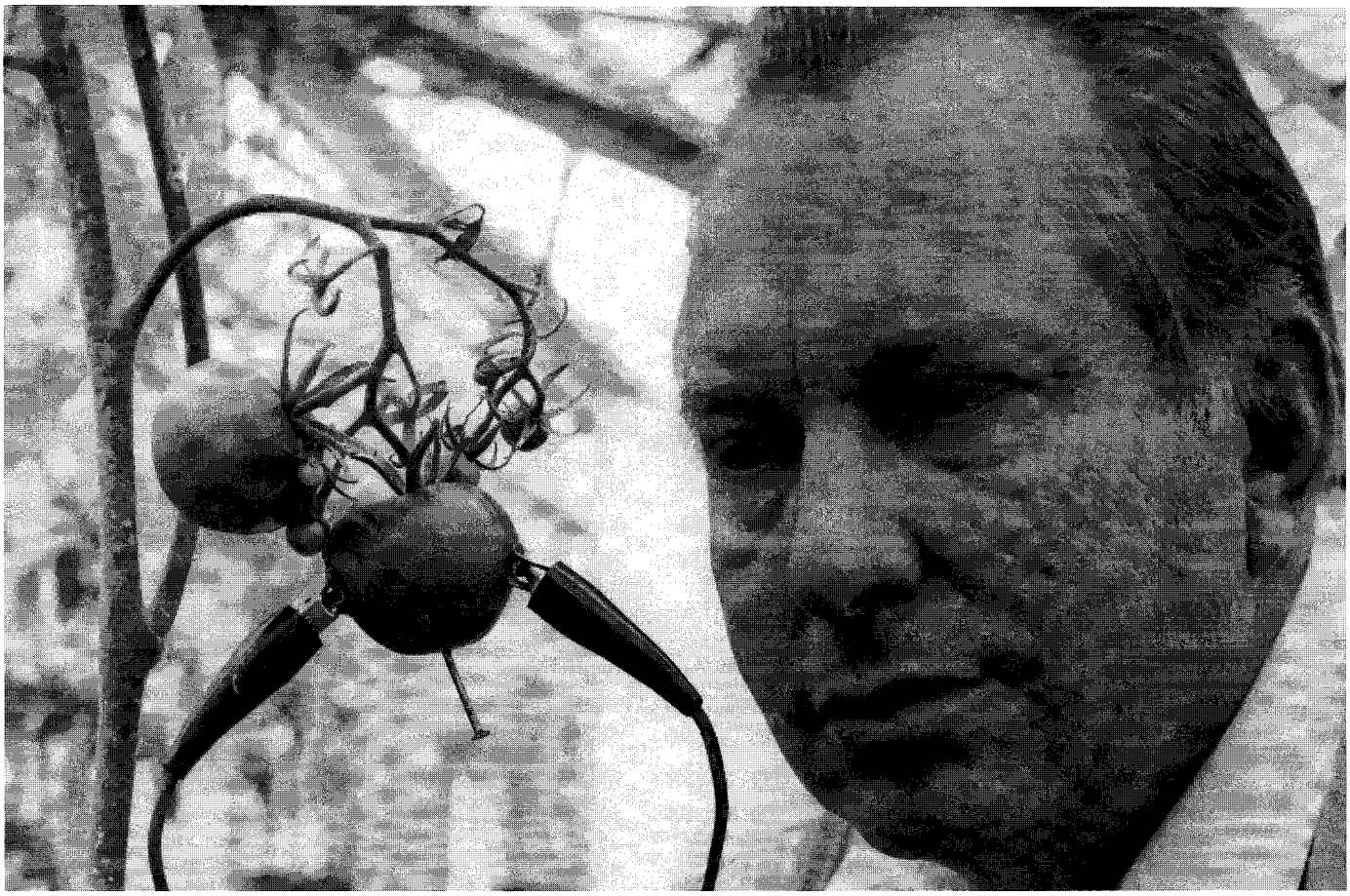

Battlefield Dupont Circle: Scientology founder and onetime Washingtonian L. Ron Hubbard uses the E-Meter, a stress-measuring device he invented, to test whether tomatoes can feel pain.

inal artifacts are a briefcase and an enormous globe. A period specimen of Hubbard wear—tweed jacket, black pants, and a salmon silk tie—is encased in glass. On the wall hang framed degrees awarded to Hubbard by the Hubbard Association of Scientologists International and the Hubbard Dianetic Research Association.

A sign on the wall of L. Ron Hubbard's Washington home read: "A Scientologist is one who controls—persons environments and situations." I wondered what it meant, but didn't feel comfortable enough to ask.

The tour does not evangelize aggressively, although when I sneezed and apologized that I had a cold, Runyon offered cryptically, "We could do something about that for you." But the inevitable sales pitch arrived when we reached the top floor, which is dedicated to Scientology today. On display are large photographs of famous Scientologists (such as the late Isaac Hayes) and of the group's compound in Clearwater, Florida. As I examined the photos, Runyon caught a facial expression she apparently didn't care for. "You have an evil smile," she said. "What are you thinking?"

A four-minute promotional video shows young Scientologists extolling the religion's virtues (one adherent notes that the E-Meter "gets rid of negative emotions"), and adjacent to the screen hangs a statement by Hubbard: "A Scientologist is one who controls, persons environments and situations." I wondered what it meant, but didn't feel comfortable enough to ask.

As the tour wound down, I found myself with Runyon in a basement room, just off a hallway that is adorned with Hubbard's photos of the monuments in Washington. It was time for me to try out the E-Meter, the device that had caused the Feds to burst through the doors in 1963. I held a can in each hand and answered Runyon's questions. When she asked me about my job, the dials fluctuated wildly. Runyon said this showed it was a stressful topic.

She was right. WM

Ben Adler is an urban leaders fellow at Next American City and a contributing editor at *Politico*.

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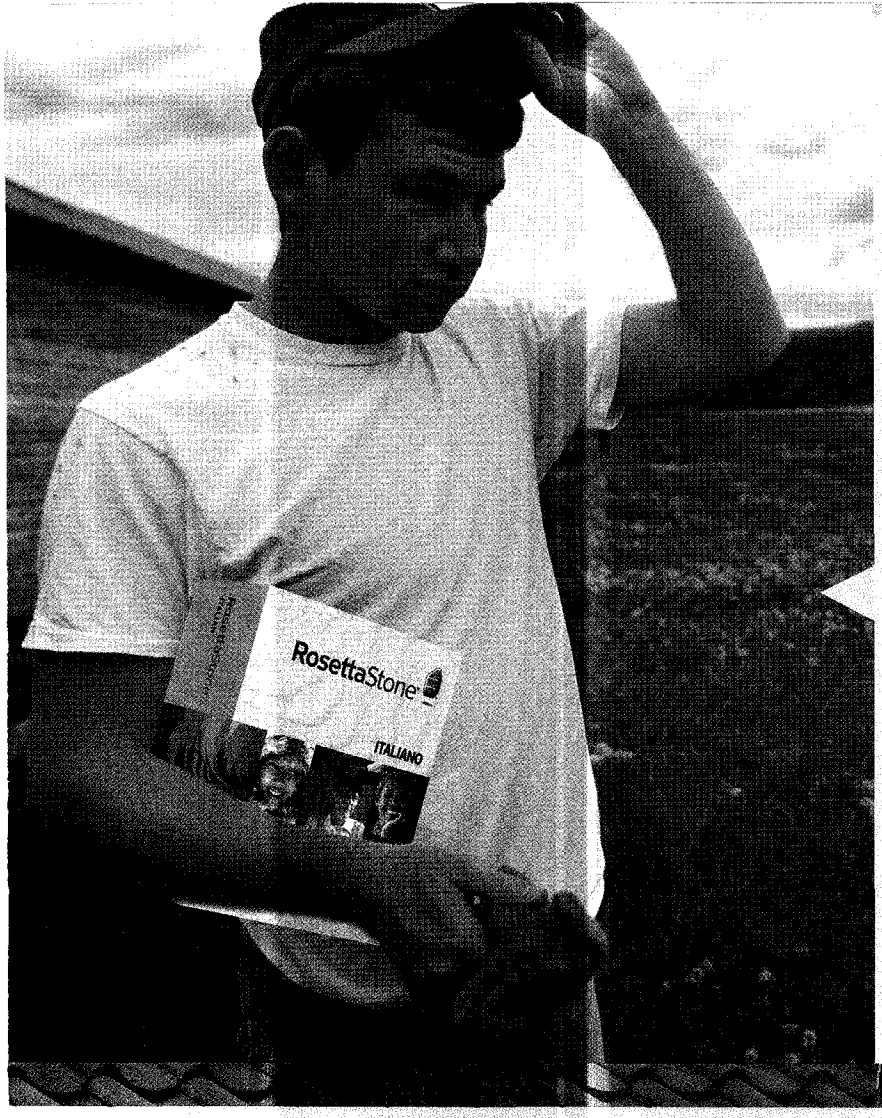

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What Obama Should Read

Twenty-five books the new president should have by his bedside.

Barack Obama, it is safe to say, likes books more than his predecessor did. We know that much because he has written a couple of good ones—most notably, the well-received memoir *Dreams From My Father*, which launched him into the public sphere as a writer before his political career began—and because it is not a news event when he reads one, as it was when George W. Bush announced that he intended to thumb through Camus's *The Stranger* on his summer vacation two years ago.

A president who is a serious reader is of course likely to be shaped by what he reads, and we know a bit about what has been on Obama's list so far. From interviews, we know that Ernest Hemingway's *For Whom the Bell Tolls* made an impression on him as a young man. His campaign reading list—or at least the books he chose to be seen with on the trail—included Jonathan Alter's *The Defining Moment*, Larry Bartels's *Unequal Democracy*, Steve Coll's *Ghost Wars*, Fareed Zakaria's *The Post-American World*, and Doris Kearns Goodwin's *Team of Rivals*. And we know that, at least in the case of the latter book, Obama's choice of reading has already had some impact on his governing choices (or at least on how pundits frame them on the Sunday-morning talk shows).

So in the hope that he's willing to take a few more reading assignments, we asked a few of our favorite writers and thinkers to offer their suggestions on what the new president should have by his bedside. —***Eds.***

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REZA ASLAN

Mr. President, if you are serious about negotiating with Iran, you need a guidebook on Iranian culture so that you can tell when "yes" means "no," when "no" means "maybe," and when "Death to America!" means "Please, let's talk." May I suggest ***The Ayatollah Begs to Differ***, by **Hooman Majd**? An Iranian American who lives in the States and has advised and translated for both current President Mahmoud Ahmadinejad and former President Muhammad Khatami, Majd has written perhaps the best book on contemporary Iranian culture and all of its complexities and contradictions. Don't go to Tehran without it.

Reza Aslan is the author of *No God but God* and the forthcoming *How to Win a Cosmic War.*

ANDREW J. BACEVICH

Barack Obama has identified **Reinhold Niebuhr** as "one of my favorite philosophers" and is familiar with the great Protestant theologian's various writings. Yet as Obama assumes the mantle of Most Powerful Man in the World, Niebuhr's ***Irony of American History*** is one volume that deserves a careful second reading.

Published in 1952, when the Cold War was at its frostiest and Americans were still coming to terms with what it meant to exercise global leadership, *Irony* called attention to a series of illusions to which Niebuhr believed his countrymen and their political leaders were peculiarly susceptible. To persist in those illusions, he warned, was to court political and moral catastrophe. History, he wrote, "is enacted in a frame of meaning too large for human comprehension or management." To imagine that history can be coerced toward some predetermined destination represents the height of folly.

With the end of the Cold War in 1989, those very same illusions—now expressed through self-congratulatory claims that the end of history had elevated the United States to the status of indispensable nation called upon to exercise benign global hegemony—gained a rebirth. In the wake of 9/11, George W. Bush embraced those illusions and made them the foundation of his global war on terror. The catastrophes that ensued testify eloquently to the enduring relevance of the warnings that Niebuhr had issued a half century earlier.

To correct the errors of the Bush era will require that Obama repudiate the illusions that gave rise to those errors in the first place. In that regard, *Irony* should serve as an essential text. A first rule of statecraft, Niebuhr writes, is to nurture a "modest awareness of the limits of our own knowledge and power." Modesty doesn't imply passivity. It does mean curbing the inclination to portray our adversaries as evil incarnate while insisting that we ourselves are innocent and our purposes altruistic.

Niebuhr observed that "the pretensions of virtue are as offensive to God as the pretensions of power." After eight years that gave us Abu Ghraib, Guantanamo, and waterboarding, our pretensions of virtue look a bit worse for wear. The imperative of the moment is to manifest "a sense of contrition about the human frailties and foibles which lie at the foundation of both the enemy's demonry and our own vanities."

Andrew J. Bacevich teaches at Boston University. His most recent book is *The Limits of Power: The End of American Exceptionalism.*

JACQUES BARZUN

I recommend that the new president read **William James's *The Will to Believe*** and **George Santayana's *Character and Opinion in the United States***. Both books serve a useful purpose to anyone trying to understand America in an overarching sense. They are products of two of our best minds and tell us something of our national character and preferences.

Jacques Barzun is a cultural historian and the author of thirty-seven books, including *From Dawn to Decadence.*

ALAN BRINKLEY

My recommendation to President Obama is **George F. Kennan's *Memoirs, 1925–1950***. It is a powerful account of a brilliant young man from the Midwest who attends Princeton as a lonely outsider and goes on to become one of the most important figures in the history of American diplomacy. More important, it conveys Kennan's contributions to the character of American foreign policy in the years of the Cold War. He believed that the United States had an obligation to be active in the world in preserving peace and stability. He also believed that there were limits to what the United States can do in the world, and that it must choose its missions selectively. The "containment policy," which Kennan helped to create, was meant not just as a strategy for containing Communism, but—as Kennan saw it—a strategy for containing the United States as well, for ensuring that the United States would exercise caution and restraint in its international ventures, something later supporters of containment often forgot.

Alan Brinkley is the Allan Nevins Professor of History and the provost of Columbia University.

STEVE COLL

I suggest ***The Invisible Cure: Africa, the West, and the Fight Against AIDS***, by **Helen Epstein**. My premise is that the new president is a serious reader, is passionate about the big issues of his presidency, and hungers for reliable explication and detail, yet has limited time and therefore needs a single volume that is both easy to read and transformational in its effects. This at least was my experience as an accidental reader of *The*

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Invisible Cure. Epstein is a molecular biologist who has worked extensively in Africa—her tough, fair-minded, empathetic, and empirical book changed utterly what I understood about the "social ecology" of the greatest medical crisis of our era and the policies that might address it. She is as hard on the United States as she is on African governments, and by this method has produced a great service to both. President Bush's heartfelt but flawed approach to the AIDS crisis in Africa is one of his few truly positive legacies; if President Obama finds time for this book, he will not dare abandon Bush's cause, but he will be smarter about its pursuit.

Steve Coll is president of the New America Foundation and a staff writer at the *New Yorker*.

DEBRA DICKERSON

A People's History of the United States, by **Howard Zinn**, is the perfect way for the new president to relearn history for our troubled moral (see: torture) and economic times. It reminds us that unrestrained nationalism and crony capitalism are poisons which savage the have-nots. Zinn looks at the American Revolution, the Civil War, the Industrial Revolution, the labor movement, and even how the West was won from the point of view of that vast majority of us who don't have the capital, don't make the decisions, and don't write the history books, but do get to do all the grunt work while the rich get richer. If nothing else, it would force Obama to contemplate the reality that we citizens are much too deferential to authority, far too willing to blame ourselves for not being a "have," and woefully susceptible to the old strategy of "divide and conquer."

Debra Dickerson is the author of *The End of Blackness* and *An American Story*.

JAMES FALLOWS

We all know the areas in which Barack Obama's experience, instincts, and long-stated positions make him his own policy expert. Rule-of-law questions, plus management of racial frictions, are the two most obvious illustrations. I assume he is getting a crash education on economic and energy policy from a very strong team, and I bet he quickly shows a good natural feel for dealing with foreign leaders.

The place to worry is about defense policy. Obama said next to nothing about it during the campaign. Of course, he emphasized getting out of Iraq and focusing more on Afghanistan and about the limits of military-firepower answers to complex economic and ethnic questions. But about the cost and nature of America's defense establishment, the training and nature of the officer corps, the relative roles of the services, and a hundred similar issues Obama has been hazy at best. This is a problem not just because the issues are so important but also because Democratic leaders can so easily be mau-maued into thinking that they must be resolutely "pro-military"—which in practice means never questioning budgets—to hold off attacks from the right. Clearest recent case study: Hillary Clinton's eight-year role on the Senate Armed Services Committee.

What would make me feel best about Obama on this front? News that he had actually, himself, read ***America's Defense Meltdown***, by an all-star array of truly expert authors. There is no better, terser, more comprehensive or authoritative introduction to an independent, realistic perspective on the Pentagon—complete with the facts, details, and nuance to give Obama confidence in these views. Plus, it's free—at this site: http://www.cdi.org/pdfs/AmericasDefenseMeltdownFullText.pdf.

James Fallows is a national correspondent for the *Atlantic Monthly*. His most recent book, published in December, is *Postcards From Tomorrow Square: Reports From China*.

JOEL GARREAU

When you campaign on change we can believe in, and suddenly you're facing change we can't believe is happening, here are two books for you, Mr. President.

One is ***The Art of the Long View: Planning for the Future in an Uncertain World***, by **Peter Schwartz**. It's still the most accessible guide to thinking rationally, systematically, and strategically about futures you can't possibly predict. Scenario planning is *the* antidote to the kind of futures bravado that caused us to roll into Iraq thinking there was no other possibility but that they'd throw rose petals at our feet. As change accelerates, you've got a lot more strange stuff coming at you, Mr. President. This is the conceptual guide on how to prepare.

The other is **Mark Twain's *Adventures of Huckleberry Finn***. It's the greatest long-view provider—ever—of fresh reminders why you cared. Cared about these perverse, ornery, unpredictable, cussed people you chose to lead. It never lets you forget that in the face of unprecedented threats, the ragged human convoy of divergent perceptions, piqued honor, posturing, insecurity, and humor will wend its way to glory.

Joel Garreau is a member of Global Business Network, a fellow at the New America Foundation, a *Washington Post* staff writer, and the author of *Radical Evolution: The Promise and Peril of Enhancing Our Minds, Our Bodies—And What It Means to Be Human*.

NATHAN GLAZER

In view of how well read the new president is, from the press reports on his reading on presidential transitions and current crises, it is not easy to think of what else one might suggest to him. But one book that his advisers may not have thought of is ***India After Gandhi***, by **Ramachandra Guha**, an excellent history of India since independence. India will have to con-

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cern the president on occasion; China will undoubtedly concern him more often, but in view of its closed political system no equivalent book could be written on China. Unlike many current books on India, Guha's is scholarly, well written, and remarkably balanced in judging the enormous problems India faces—its poverty, some long-sustained internal insurrections, ineffectiveness of government in many respects—against its recent economic vibrancy and in particular its success in maintaining its democracy over these sixty years.

Nathan Glazer is professor emeritus of sociology at Harvard University, author of books on American ethnicity and social issues, and was for three decades coeditor of the quarterly publication the *Public Interest*.

JEFF GREENFIELD

Barack Obama is no doubt acutely conscious of the "blind into Baghdad" mentality that afflicted Bush and many of his advisers. He has also, it is safe to assume, already read *The Best and the Brightest*, by **David Halberstam**. So let me recommend Halberstam's last book, ***The Coldest Winter***, for it is yet another reminder of the danger that every decisionmaker faces: the arrogant refusal to consider that his or her assumptions may be fatally flawed. The book is about Korea, where General Douglas MacArthur, from his perch in Japan, adamantly ignored warnings that his push north toward the Yalu River would bring the Chinese into the war. Indeed, when dead Chinese soldiers were found on the battlefield, MacArthur and his aides confidently asserted that they were North Koreans in Chinese army uniforms. The subsequent invasion by the Chinese cost thousands of lives and nearly led to the conquest of South Korea.

I'd also suggest he find a copy of an unjustly ignored novel about Washington: ***The Floating Island***, by **Garrett Epps**. Published in 1985 and (apparently) set in the last years of the Carter administration, the novel gleefully skewers careerists, Establishment icons, self-proclaimed Washington power brokers, think tanks, and just about anything else the capital has to offer. Apart from providing any number of cautionary tales, the book is gut-bustingly funny—and I suspect it won't be long before Obama finds he could use a good laugh.

Jeff Greenfield is a CBS News senior political correspondent.

DAVID IGNATIUS

I recommend the new president read (or reread) ***The Quiet American***, by **Graham Greene**. He should do so to remind himself, when the clever, idealistic briefer comes to tell him about the "third way" that will produce a breakthrough in America's tangled relations with the world, that we've been down this road again, and again, and again.

David Ignatius is a syndicated columnist for the *Washington Post* and the author of seven novels, including *Body of Lies*. His new book, *The Increment*, will be published in May.

JOHN B. JUDIS

I would like to think of something soothing and medicinal, but here's my dour choice: ***The Iron Wall***, **Avi Shlaim's** revisionist history of Israel and the Arab world, which appeared in 2001. President Obama is going to want to focus on reviving the American and world economy, but he is not going to be able to ignore the Middle East. And he would be wise to train his attention not just on Iraq and Iran, but on the continuing conflict between Israel and the Palestinians. Shlaim's book makes a good case for an old lesson: that a balanced, evenhanded approach to the conflict, far from being "anti-Israel," holds out the only hope for resolving the conflict, and that such a resolution is in the interests of the United States, the Palestinians, and the Israelis themselves.

John B. Judis is senior editor of the *New Republic* and a visiting scholar at the Carnegie Endowment for International Peace.

RACHEL MADDOW

The new president should read ***The Edge of Disaster***, by **Stephen Flynn**, despite its generic Chicken Little title. Flynn has the politics and the strategy exactly right for the two big business-of-government tasks facing the new administration: (1) annulling the previous politics of "homeland security" and getting it right this time; and (2) massively upscaling our investment in infrastructure. It's hard to be rational and rigorous and constructive when thinking about catastrophe—but that's exactly what we need.

Rachel Maddow is the host of *The Rachel Maddow Show* on MSNBC and Air America Radio.

JOE NOCERA

"I can't believe some of this stuff is legal," a high-ranking government official said to me a few months ago, right around the time that all hell was truly breaking loose. It was when Lehman was going bankrupt, and AIG was teetering on the brink, and Merrill Lynch was being sold, and Morgan Stanley and even mighty Goldman Sachs were rumored to be in serious trouble. And "this stuff" the official was referring to were some of the more exotic, complex, and fiendishly hard-to-value derivative securities that were imploding like dynamite sticks, bringing down the financial system with them.

Barack Obama has so many things he wants to accomplish, in health care, education, the environment, and so on, but none of them will get done if he doesn't first get his hands around

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the financial crisis. We all know he's been brushing up on FDR's first 100 days, and that's all to the good. Saving the auto industry, getting banks to lend again, creating the kind of mega-stimulus package to get the economy back on its feet—these are all things he is going to tackle early on.

But then he is going to have to figure out how to fix the financial system filled with "that stuff." And to do so he is going to have to build a new regulatory apparatus, because the old one has clearly broken down. That's where my two book recommendations come in.

The first is ***A Demon of Our Own Design***, by **Richard Bookstaber**, a memoir with a point by a Wall Street veteran. Bookstaber, a risk manager, chronicles the rising complexity of Wall Street, through the prism of his own experience. Taking us through such traumatic events as the crash of 1987 and the collapse of Long-Term Capital Management in the late 1990s, he makes a powerful case that "these breakdowns come about not in spite of our efforts at improving market design but because of them. The structural risk in the financial markets is a direct result of our attempts to improve the state of the financial markets; its origins are in what we would generally chalk up as progress. The steps we have taken to make the markets more attuned to our investment desires ... have exaggerated the pace of activity and the complexity of financial instruments that makes crisis inevitable. Complexity cloaks catastrophe." And so it has. Figuring out how to either make the system less complex or the risks more transparent to all will be a key part of any new system of financial regulation.

My second recommendation is that the incoming president read some of the writings of **Warren Buffett**, in particular the annual reports of Berkshire Hathaway, his holding company. Happily, they are collected in a book, ***The Essays of Warren Buffett: Lessons for Corporate America***. Actually, they include lessons for everyone, not just corporate executives. It was Buffett who wrote in his annual report several years ago that derivatives were "financial weapons of mass destruction." But the main lesson he teaches is that the best kind of investing has a value system attached to it. Buffett buys companies, not stocks. He thinks about the long term, not the short term. He became very rich by not trying to get rich quick. He has tackled the problems with stock options, and with executive compensation. (Believe it or not, Buffett's executives at Berkshire Hathaway don't get any options; he doesn't believe in them.) In many ways, his rules for investing are rules to live by, and Obama could do worse than use his bully pulpit to preach them to the rest of us.

Joe Nocera is a business columnist for the *New York Times*.

GEORGE PELECANOS

I would recommend that President Obama read ***Lost in the City***, by **Edward P. Jones**. It's a short-story collection that brilliantly illuminates the humanity and struggles of everyday Washingtonians. Despite the phony Washington bashing during the campaign, D.C. is as Main Street as any place in America, and just as deserving of federal attention. The District could be a model for reform. A leader with Barack Obama's intelligence and enthusiasm has the ability to make that happen.

George Pelecanos is a novelist and the writer/producer of *The Wire*.

JIM PINKERTON

I realize that President Obama will be busy, and he won't have much time to kick back with a whole book. So I will merely suggest that he read ***The Pretense of Knowledge***, by **Friedrich Hayek**, a 1974 lecture delivered after the Austrian-born economist accepted the Nobel Prize in Economics.

Hayek's argument was that social science, including the dismal science of economics, has built up the pretense—and it is only a pretense—that it is possible to gain "scientific" mastery over complicated social problems. Such intellectual ambition is inherently Icarus-like, he argued. It is "the fatal conceit," as he entitled one of his books (available, if 44 is curious, on Amazon).

It seems that every president feels called upon to undertake some enormous challenge—a task worthy of his own ego—and usually that challenge defeats him. For Bill Clinton, it was health care. For George W. Bush, it was Iraq. Of course, sometimes a president succeeds—so it was with FDR, victor in World War II, and Ronald Reagan, who won the Cold War.

So what will it be for Obama? That's an open question right now, but a little Hayekian humility could save him from the grievous mistakes that other presidents have made as a result of overconfidence and underpreparation.

Jim Pinkerton is a columnist for *Newsday* and a fellow at the New America Foundation. He served in the White House under Presidents Ronald Reagan and George H. W. Bush.

WALTER SHAPIRO

Announcing his heavyweight national security team (most notably Hillary Clinton and Robert Gates), Barack Obama declared, "One of the dangers in a White House, based on my reading of history, is that you get wrapped up in groupthink and everybody agrees with everything and there's no discussion and there are not dissenting views." It might seem bracing that the new president is familiar with the dangers of "groupthink." But were he to read the 1982 book ***Groupthink: Psychological Studies of Policy Decisions and Fiascoes***, by the late **Irving L. Janis**, the psychologist who originally formulated the concept four decades ago, he would learn that the pitfalls that accompany White House crisis decisionmaking are more subtle than lockstep conformity. As Janis's shrewd melding of political history and group psychology makes clear, John F. Kennedy listened to an outside dissenter (Senator William Fulbright) during the run-up to the Bay of Pigs invasion and Lyndon Johnson

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boasted naysayers on his White House staff during the Vietnam escalation. (LBJ, in fact, mockingly referred to Bill Moyers as "Mr. Stop-the-Bombing.") But the dissenters in these cases were as marginalized as Colin Powell (Mr. Let's-Wait-for-the-Security-Council) on the eve of the Iraq invasion.

If Obama has time for only forty pages, he should read Janis's interpretation of the Bay of Pigs. Kennedy, like Obama, entered the White House with a cohesive band of advisers from the campaign, a best-and-brightest veneer to his administration, and a sense of invulnerability from a dizzying political ascent. Janis evokes that era by quoting an unnamed Justice Department official: "It seemed that, with John Kennedy leading us and with all the talent he had assembled, *nothing could stop us*." (The italics are in the original.)

Most attempts by social scientists to peer into the inner workings of governments are too theoretical, too quantitative, and too mechanistic to be useful outside of an academic seminar room. But *Groupthink* is far more than a clever compound word—inspired by George Orwell's *1984*—to signify unanimity among decisionmakers. It is also an enduring book, and remains a cautionary tale of talented Democratic presidents gone awry.

Walter Shapiro, a *Monthly* contributor, just completed covering his eighth presidential campaign.

ANNE-MARIE SLAUGHTER

The new president should read ***Wikinomics: How Mass Collaboration Changes Everything***, by **Don Tapscott** and **Anthony D. Williams**. It will validate his intuitions about the world and give him a vocabulary and conceptual framework to explain how the Obama generation is different. He should also read ***The Way We Will Be***, by **John Zogby**. He will see himself in the mirror as one of the "first globals" and will see the U.S. not as a parochial country but an increasingly globally connected one.

Anne-Marie Slaughter is dean of the Woodrow Wilson School of Public and International Affairs at Princeton University and the author of *America's Edge: Power in a Networked World*.

RON SUSKIND

Mindful of the acute demand for Barack Obama to articulate a new ideal of American leadership, I'd first recommend ***Lincoln at Gettysburg***, by **Garry Wills**. The book commanded a wide audience when it was published in 1992, but it bears reading, or rereading, especially for this moment and this president. Wills elegantly deconstructs both Lincoln and the first eighty-seven years of America's history to show how words—the right words, on cue—can shape a nation's core philosophy. The book burns away myth, that Lincoln hastily wrote the Gettysburg speech on an envelope and snubbed his long-winded predecessor, the brilliant nineteenth-century Hellenist Edward Everett. He did neither. In fact, Lincoln drew inspiration from the era's blossoming Greek revival and the country's growing "transcendentalist" movement to firmly measure America's bloody and unfinished experiment in self-governance against a lofty ideal of justice, of an ever-perfecting union.

This was a reach. The famous phrase of grade-school oration—"Four score and seven years ago, our fathers brought forth on this continent, a new nation, conceived in Liberty, and dedicated to the proposition that all men are created equal"—was the stuff of sharp controversy in its day. By reaching back to Jefferson's language of "self-evident" equality in the Declaration, Lincoln leapt over the pragmatic genius of the Constitution, the preservation of which many still saw as the raison d'être of the great war. No, he said, looking across one of history's bloodiest battlefields, this was about lifting our sights toward the "unfinished work" of a "new birth of freedom." That was audacity, at a time of crisis. Obama, prematurely being compared to the greatest of our presidents, has shown extraordinary rhetorical capacities, especially in his speech about race. But the demands going forward are sure to rise exponentially. Words matter. Obama could change the world with his. This book provides both example and inspiration of how it was once done, and might be again.

Comparisons to Lincoln notwithstanding, Obama will be left to manage a "team of rivals" without the depth of crisis Lincoln employed to compel consensus among his obstreperous gang. The key for Obama will be using the force of his personality to manage debate that's both fierce *and* productive, at the very highest levels. For that, I'd offer ***Beyond Human Scale***, by **Eli Ginzberg** and **George Vojta**. It was published without fanfare in 1985, and has become a cult classic among the "process people," those who've worked furiously in recent decades to consider and reconsider ways large organizations, both public and private, might be managed more effectively. Their axiom, that "good process creates good outcomes," was shaped by Columbia Professor Ginzberg, who died in 2002 at the age of ninety-one, after having advised eight presidents, starting with FDR, on everything from health care to military furloughs. In *Beyond Human Scale*, he and the management consultant George Vojta run though a primer on how decisionmakers can guard against being misinformed or misled. Especially important: the careful placement of honest brokers who can get bad news to the boss without suffering ill effects (in fact, they should be rewarded). Page after page is jammed with trenchant fare—everything from how a cushion of financial reserves often enables a CEO to "avoid making hard decisions when problems first appear" to how, for a president, it generally takes a war to "reveal weaknesses in the military." With tough decisions on the government's ownership, or bailout, of vast dysfunctional corporations—and two ongoing wars—Obama and his team will have to construct a sterling decisionmaking system. And then they'll have to recalibrate and fine-tune it for every oncoming crisis. WM

Ron Suskind, a winner of the Pulitzer Prize, is the author of *The Way of the World: A Story of Truth and Hope in the Age of Extremism*.

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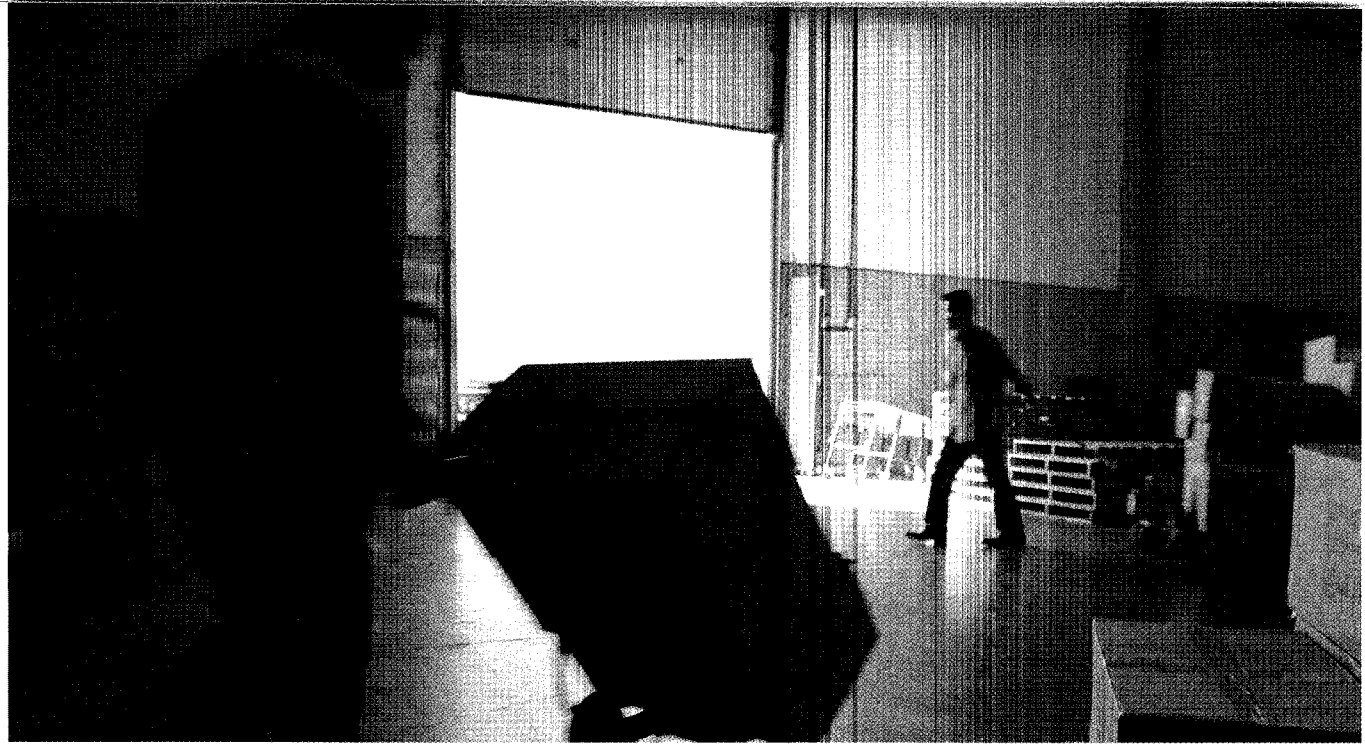

The Little Unions That Couldn't

Card check is worth fighting for—except for the "card check" part.

By T. A. Frank

As Barack Obama prepares to get a stimulus plan launched this winter, carefully planting seeds of cross-party warmth and nurturing each rare shoot, he may wish to avoid unrelated matters that cause bitter partisan showdowns and lay waste to the whole damn thing. At least, that seems wisest when you're asking for a trillion or so in new spending. So people understood why Rahm Emanuel, during a meeting with the *Wall Street Journal*'s CEO Council last November, dodged an inquiry about a contentious piece of legislation called the Employee Free Choice Act. "Let me take your question and go somewhere else," he said to laughter.

EFCA carries no visible price tag. It's simply a revision of existing labor laws that makes forming a union easier for employees. But if anything is likely to unite a dispirited Republican minority, EFCA is it. (Recall that United Auto Workers wage scales were what rallied Republican senators to defeat the auto industry bailout bill in December. A leaked Republican National Committee memo described that vote as a "first shot against organized labor.") For big business—and the GOP—the threat of a revived labor movement elicits far more terror than health care reform or stimulus packages. After all, health care and federal spending can be good for the bottom line; unions, not so much.

Contentious as it may be, though, EFCA is also one of the first pieces of legislation that congressional Democrats, or at least those closest to organized labor, want to see passed. The bill would strengthen a variety of laws and procedures that govern how employees choose whether or not to join a union. These are technical issues—ones that most voters, especially affluent ones, never think about. But they're huge for millions of low-wage workers and the companies that employ them.

In Washington, the rhetoric over EFCA has centered on one specific element of the legislation called "card check." Under the proposed new law, if a majority of employees fill out cards authorizing a union to represent them, the union is automatically certified. Currently, employers can demand a secret-ballot election among employees to reaffirm the results. EFCA would eliminate this option. Republicans have called this a threat to liberty and democratic values. Democrats counter that it's essential to protecting workers against employer coercion. But this squabble is a distraction. In reality, card check is the least

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important part of a very important bill. The following story should help explain why.

The setting is Lancaster, California, a city in the Antelope Valley, about seventy miles north of Los Angeles. If there's anything charming there, I imagine the mayor would like to know about it. The landscape is one of long avenues with warehouses, malls, fast-food outlets, and ubiquitous young colonies of brown-stucco villas born at the height of a destructive housing mania. (And why such a dismal shade of brown? And how many thousands were built?) It's in cities like this that specialists apply green spray paint to the dead lawns of foreclosed homes in order to keep up neighborhood appearances, such as they are. The area enjoyed a boom after California made it a special enterprise zone in 1997, but that ended when the real estate bubble did. Jobs here have long been scarce.

In 1998, the drugstore chain Rite Aid Corporation broke ground on a million-square-foot distribution center, constructed on eighty-eight acres of land purchased from the city of Lancaster for $1. The following year, the distribution center began to hire. "It was very exciting," recalls Angel Warner, who landed a job in production before switching to inventory control. "For a long time, this area had been depressed." The number of employees grew from several hundred to over a thousand.

These were decent jobs. Employees started at a modest $10 an hour, but they received benefits, and after a few years some workers could earn over $15 an hour. Carlos Rubio started as a temp in 2000, and then, after a few months of probation, he was hired as a full-time employee at $10 an hour. "I put in so many hours my wife thought I was cheating," Rubio recalls. Like most of his coworkers at the time, he liked the company and his supervisors. "We had a manager, Rick, a nice guy, who inspired us," he says. "Even though things were crappy, he inspired us." In 2002, the Teamsters tried to organize workers at the warehouse, but Rubio, like most of his coworkers, voted against the effort. "They were too pushy," he says. Besides, he was content with his employer.

But Rick left in 2004, and a new management team came in. Surprisingly quickly, the atmosphere changed from collegial to hostile. Mandatory overtime increased, which was good for those who needed extra money but bad for those who had children and needed predictable hours. Managers no longer listened to employee feedback. "They treated you like crap," Rubio says. "They talked to you like you were a kid." One manager became known for saying, "If you don't like it here, you can work at McDonald's." Worst of all, to boost employee performance, Rite Aid had introduced productivity reporting software called ProRep. Each task would carry a certain code, which corresponded to a quota. Rubio says the software was "awesome," but that Rite Aid implemented it in a way that was unfair and inflexible. Soon, workers at the distribution center began to fear for their jobs.

For instance, suppose that your job was to pull boxes—a task that consists of driving a forklift over to the merchandise, elevating yourself in an operator's cab, and venturing out onto the pallet to load it with boxes. According to ProRep, workers were responsible for loading 100 boxes an hour—whether the boxes were twenty pounds apiece or fifty pounds apiece. Another problem was that ProRep measured employees by weekly totals, regardless of how many days they had worked. If you called in sick one day—or were asked to stay home—the software made no allowance. So you'd miss your quota. Sometimes the codes didn't correspond to a given task, so an employee could do exactly as instructed but still fall short on numbers.

Younger employees tended to adjust—they could summon the extra energy to lift fifty-pound boxes at a twenty-pound-box pace, or work through their breaks—but the older ones had more trouble. So did employees who were out of favor with management, because they tended to be assigned to more strenuous or disagreeable tasks. Soon, firings began, in a grim public ritual in which the unlucky employee was summoned over the intercom system, marched past his fellow employees on the factory floor, and soon after escorted from the building.

As a rule, dismissals were triggered when you failed three times to meet your quota. This, while harsh, is legal, but an important safety net exists for employees who are dismissed for insufficient productivity: they must receive unemployment benefits. But, the workers told me, the company usually found a way out of this. When ex-employees filed for unemployment, Rite Aid would counter that they had been dismissed for some reason other than productivity—errors, or insubordination, or truancy, or anything that didn't require unemployment benefits to be paid. Rite Aid isn't responsible for paying unemployment benefits of former employees, of course, but its premiums for unemployment insurance will rise if more ex-employees collect benefits. A few workers contested their cases and won, but most simply accepted the bad luck and moved on. (A Rite Aid spokesperson declined to comment for this article, citing ongoing contract negotiations.)

Commentators have called the card check fight a quandary for Democrats, one that risks disastrous failure. But must it come to that? Deploying political capital wisely means fighting over what matters most, not what matters least.

By 2006, with morale plummeting and management unwilling to listen to employee complaints, Angel Warner reached out to the International Longshore and Warehouse Union, or ILWU, and before long a union campaign was under way. The

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ILWU took a patient and fairly low-key approach to the effort. "[The ILWU] saw the need for union representation," Warner says. "They also saw the need to educate workers." Union organizers held meetings once a week at a local hotel. Every worker who was interested in joining up was asked to sign a union authorization card—a card with an employee's signature authorizing a given union to represent him or her.

By June of 2006, about three months after starting their campaign, ILWU organizers had gathered authorization cards from about a third of the warehouse employees. And now this story will feature a brief but crucial technical interlude on how things work when you're trying to certify a union. If you have union authorization cards from at least 30 percent of the workers at your site, then you can file them with a federal agency called the National Labor Relations Board, or NLRB. Once the NLRB has verified that the cards are genuine, then it will hold an election at the workplace a couple of months later and allow workers to vote a union in or out. If more than 50 percent of employees vote yes during the election, then the union is certified as the sole bargaining representative of the employees, and negotiations on a contract can begin.

Back to the story: The Rite Aid organizers filed their union authorization cards with the NLRB, setting the ground for an election. And then things got ugly—and illegal, too. Floor supervisors would pair up, isolate an employee, and grill him about the campaign. Do you intend to vote yes or no? How about your buddy Bob? Workers noticed managers trying to listen in on their conversations. And union supporters started to get fired—accused of errors or insubordination or other offenses.

If a company illegally undermines a union campaign, the most serious penalty it faces is having to promise not to do so again. It's the equivalent of punishing shoplifters by asking them to put the merchandise back.

Struck by Rite Aid's response, ILWU organizers chose to delay the election and instead file charges of unfair labor practices with the NLRB. Eventually, the NLRB racked up so many complaints that it planned to take Rite Aid to trial on forty-nine violations of federal labor law. In the summer of 2007, though, Rite Aid chose to settle instead, agreeing to rehire two fired union supporters with back pay and to post a notice in a common area promising not to engage in thirteen types of illegal anti-union activity.

Despite the NLRB vindication, things didn't improve. Rite Aid seemed to be creating turnover in the workforce faster than the ILWU could keep up with it. "The same things were happening," Rubio recounts. "Eventually we said [to the ILWU], If you hold us back now, we're going to lose everybody. Let's just go for it." It was now late in 2007, and, once again, union supporters gathered up union authorization cards. This time, however, more than half of the distribution center workers signed them. Now, here comes one more nuance of labor law: when a majority of employees signs union authorization cards and files them with the NLRB, an employer may choose to recognize the union immediately. But the employer can also insist on a secret-ballot workplace election to confirm the results.

Rite Aid insisted on an election, and the date was set for March 2008. Once again, the company did what it could to persuade workers to vote against the union. HR staff conducted mandatory hour-long sessions with employees once a week. They would lecture at length on why unionization would be damaging to workers. They would warn employees that the union would require high dues and stand in the way of healthy communication between management and labor. They would show videos about plants being shut down after becoming unionized. Meanwhile, by Warner's count, more than 100 union supporters had been dismissed since June of 2006—although never, of course, for the explicit reason of having supported unionization. "We had a list of our people," she says. "And one by one we kept watching them get fired." By contrast, Warner says, only about ten non-union-supporting employees were let go in the same stretch.

Still, the ILWU was in luck. It won the March election, becoming the sole bargaining representative of the warehouse employees. And yet, the day after, things got worse. "The company turned overnight," recalls Elizabeth Trevino, a clerk in inventory control. "They were so angry you could see it in their faces." Managers began to use ProRep in a manner that now seemed designed to punish employees, and they enforced work rules even more strictly. "If you were late back from break even once, they would take disciplinary action," Trevino says. By August, thirty-nine more employees had been dismissed. Trevino, who had voted against ILWU membership, experienced a change of heart and began to attend union meetings. Eventually, she even ran for a union office.

Today, nine months later, Rite Aid and the ILWU have not yet come up with a contract. At meetings, Rite Aid has been pushing aside contract negotiations in order to discuss other things. Legally, Rite Aid is supposed to bargain "in good faith," but such terms are highly subjective and difficult to litigate. Work conditions for the warehouse workers remain much as before, perhaps even worse. And that works to Rite Aid's advantage—for when a union fails to deliver, its members may lose faith in it and vote it out.

Why did Rite Aid take so many chances with the law? Perhaps because it made economic sense. While the company's actions may have been illegal under the

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National Labor Relations Act of 1935, they were also nearly cost-free. If a company illegally undermines a union campaign by threatening to fire workers, or by spying on them, or by promising to shut down the facility, the most serious penalty it can expect to face is being ordered to post notices in the workplace promising not to engage in such activities in the future. If a company illegally fires a worker, and the worker can somehow prove his or her case, the penalty is a requirement to reinstate the employee with back pay—minus whatever the employee has earned elsewhere in the meantime. And if a company negotiates in bad faith, it can perhaps expect an order from the NLRB to start negotiating in good faith. Such punishments are the equivalent of punishing shoplifters by asking them to put the merchandise back.

This is what lawmakers have sought to remedy in devising the Employee Free Choice Act. For all the controversy, EFCA is a surprisingly modest bill, with provisions aimed at strengthening existing labor laws rather than altering them substantively. Under EFCA, if Rite Aid had been found guilty of making illegal threats or of spying or of intimidation, it could have faced a monetary penalty—up to $20,000 per incident in cases of repeated violations. If Rite Aid had been found to have illegally fired a union supporter, it would have been required to pay not just the back wages, but three times the back wages. And if contract negotiations were being conducted without results, either party could seek federal mediation after ninety days. If, after thirty additional days, negotiations were still stalled, then an arbiter would be able to impose a contract settlement that would last two years. This would prevent employers (or employees) from running out the clock with bad-faith talks.

Finally, the bill would have prevented a lot of the troubles experienced by Rite Aid workers simply because the second filing of union cards with the NLRB—in which over half of employees had signed up—would automatically have led to the certification of the union. This, again, is the card check provision of EFCA.

As a rhetorical matter, opponents of EFCA have seized upon card check with relish. "I think [EFCA] is a threat to one of the fundamentals of democracy," John McCain recently declared. Countless Republicans—and, curiously, even George McGovern—have voiced similar attacks. Of course, as the story of the Lancaster distribution center shows, workplace votes on unionization certainly don't resemble a healthy election as most Americans would understand the term, with both sides able to plead their case. But this has become a powerful line of argument.

The question, then, is how much of a fight the card check provision merits. And the answer is probably a little, but not a lot. What most undermines the secret-ballot process is that employers can violate the law in numerous ways without consequences. Under EFCA, however, every illegal action has the potential to be costly, so firings, spying, threats, or other forms of intimidation would be less likely. Also, there is an alternative way to preserve the secret ballot while guarding against company malfeasance: expedited elections. Under current law, months can go by between when NLRB announces the results of a card check vote and when a secret-ballot election is held. If, however, this campaign window were reduced to just a few days, employers would have less opportunity to intimidate union supporters into changing their minds. Workers I spoke to in Lancaster seemed content with this alternative. And some savvy people in the labor movement I spoke to feel the same way—provided that employers either refrain from captive-audience campaigning or else grant union members equal access to the workplace during a campaign.

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Given that card check is substantively minor, why has it come to define the entire debate about EFCA in Washington? Because it is the one element of the bill that its opponents can object to and still seem principled—it's easier to stand up for "democracy" than for the right of companies to break labor laws without consequence. And all of this factors into the gamesmanship that's likely to take place on Capitol Hill over EFCA. Commentators like Marc Ambinder have called the fight "a quandary" for Democrats, one that carries a risk of disastrous failure. But must it come to that? Deploying political capital wisely means fighting over what matters most, not what matters least. Perhaps the bill's proponents in Congress intend to stand firm in their defense of the card check provision of EFCA. But if they strategically retreat, at just the right moment, like a matador lifting his red cape, will liberals accuse Democrats of selling out labor? Or will they realize that, with or without card check, EFCA will still accomplish what's most needed—finally, at long last, restoring the rights of workers who seek to organize? WM

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Back on Tracks

A NINETEENTH-CENTURY TECHNOLOGY COULD BE THE SOLUTION TO OUR TWENTY-FIRST-CENTURY PROBLEMS.

By Phillip Longman

Six days before Thanksgiving, a truck driver heading south on Interstate 81 through Shenandoah County, Virginia, ploughed his tractor trailer into a knot of cars that had slowed on the rain-slicked highway. The collision killed an eighty-year-old woman and her one- and four-year-old grandchildren, and brought traffic to a standstill along a ten-mile stretch of road for the better part of the afternoon.

It was a tragedy, but not an unusual one. Semis account for roughly one out of every four vehicles that travel through Virginia on I-81's four lanes, the highest percentage of any interstate in the country. They're there for a reason: I-81 traces a mostly rural route all the way from the Canadian border to Tennessee, and the cities in its path—Syracuse, Scranton, Harrisburg, Hagerstown, and Roanoke among them—are midsized and slow growing. This makes the highway a tempting alternative to I-95, the interstate that connects the eastern seaboard's major metropolises, which is so beset with tolls and congestion that truckers will drive hundreds of extra miles to avoid it.

This is bad news for just about everyone. Even truckers have to deal with an increasingly overcrowded, dangerous I-81, and for motorists it's a white-knuckle terror. Because much of the road is hilly, they find themselves repeatedly having to pass slow-moving trucks going uphill, only to see them looming large in the rearview mirror on the down grade. For years, state transportation officials have watched I-81 get pounded to pieces by tractor trailers, which are responsible for almost all non-weather-related highway wear and tear. To make matters worse, traffic is projected to rise by 67 percent in just the next ten years.

The conventional response to this problem would be simply to build more lanes. That's what highway departments do. But at a cost of $11 billion, or $32 million per mile, Virginia cannot afford to do that without installing tolls, which might have to be set as high as 17 cents per mile for automobiles. When Virginia's Department of Transportation proposed doing this early last year, truckers and ordinary Virginians alike set off a firestorm of protest. At the same time, just making I-81 wider without adding tolls would make its truck traffic problems worse, as still more trucks diverted from I-95 and other routes.

Looking for a way out of this dilemma, Virginia transportation officials have settled on an innovative solution: use state money to get freight off the highway and onto rails. As it hap-

Ryan McVay

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pens, running parallel to I-81 through the Shenandoah Valley and across the Piedmont are two mostly single-track rail lines belonging to the Norfolk Southern Railroad. Known as the Crescent Corridor, these lines have seen a resurgence of trains carrying containers, just like most of the trucks on I-81 do. The problem is that the track needs upgrading and there are various choke points, so the Norfolk Southern cannot run trains fast enough to be time competitive with most of the trucks hurtling down I-81. Even before the recent financial meltdown, the railroad couldn't generate enough interest from Wall Street investors to improve the line.

The railroad has long been reluctant to accept government investment in its infrastructure out of fear of public meddling, such as being compelled to run money-losing passenger trains. But now, like most of the industry, it has changed its mind, and it happily accepted Virginia's offer last year to fund a small portion—$40 million—of the investment needed to get more freight traffic off I-81 and onto the Crescent Corridor. The railroad estimates that with an additional $2 billion in infrastructure investment, it could divert a million trucks off the road, which is currently carrying just under five million. State officials are thinking even bigger: a study sponsored by the Virginia DOT finds that a cumulative investment over ten to twelve years of less than $8 billion would divert 30 percent of the growing truck traffic on I-81 to rail. That would be far more bang for the state's buck than the $11 billion it would take to add more lanes to the highway, especially since it would bring many other public benefits, from reduced highway accidents and lower repair costs to enormous improvements in fuel efficiency and pollution reduction. Today, a single train can move as many containers as 280 trucks while using one-third as much energy—and that's before any improvements to rail infrastructure.

For now, Virginia lacks the resources to build its "steel wheel interstate," but that could change quickly. Thanks to the collapsing economy, a powerful new consensus has developed in Washington behind a once-in-a-generation investment in infrastructure. The incoming administration is talking of spending as much as $1 trillion to jump-start growth and make up for past neglect, an outlay that Obama himself characterizes as "the single largest new investment in our national infrastructure since the creation of the federal highway system in the 1950s." We'll soon be moving earth again like it's 1959.

By all rights, America's dilapidated rail lines ought to be a prime candidate for some of that spending. All over the country there are opportunities like the I-81/Crescent Corridor deal, in which relatively modest amounts of capital could unclog massive traffic bottlenecks, revving up the economy while saving energy and lives. Many of these projects have already begun, like Virginia's, or are sitting on planners' shelves and could be up and running quickly. And if we're willing to think bigger and more long term—and we should be—the potential of a twenty-first-century rail system is truly astonishing. In a study recently presented to the National Academy of Engineering, the Millennium Institute, a nonprofit known for its expertise in energy and environmental modeling, calculated the likely benefits of an expenditure of $250 billion to $500 billion on improved rail infrastructure. It found that such an investment would get 85 percent of all long-haul trucks off the nation's highways by 2030, while also delivering ample capacity for high-speed passenger rail. If high-traffic rail lines were also electrified and powered in part by renewable energy sources, that investment would reduce the nation's greenhouse gas emission by 38 percent and oil consumption by 22 percent. By moderating the growing cost of logistics, it would also leave the nation's economy 13 percent larger by 2030 than it would otherwise be.

Yet despite this astounding potential, virtually no one in Washington is talking about investing any of that $1 trillion in freight rail capacity. Instead, almost all the talk out of the Obama camp and Congress has been about spending for roads and highway bridges, projects made necessary in large measure by America's overreliance on pavement-smashing, traffic-snarling, fossil-fuel-guzzling trucks for the bulk of its domestic freight transport. This could be an epic mistake. Just as the Interstate Highway System changed, for better and for worse, the economy and the landscape of America, so too will the investment decisions Washington is about to make. The choice of infrastructure projects is de facto industrial policy; it's also de facto energy, land use, housing, and environmental policy, with implications for nearly every aspect of American life going far into the future. On the doorstep of an era of infrastructure spending unparalleled in the past half century, we need to conceive of a transportation future in which each mode of transport is put to its most sensible use, deployed collaboratively instead of competitively. To see what that future could look like, however, we need to look first at the past.

A powerful new consensus has developed in Washington behind a once-in-a-generation, trillion-dollar investment in infrastructure. We'll soon be moving earth again like it's 1959. But virtually no one is talking about investing any of the federal funds in freight rail.

The Lost Vision

At the beginning of the twentieth century, a "Good Roads" movement emerged, calling for more paved highways. It was led by farmers and bicyclists, but railroads were strong sup-

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porters; they reasoned, logically enough, that with more paved roads, more people and goods could travel from greater distances to reach their lines. Farmers wouldn't get stuck in the mud trying to move their crops to market, but could use newly available trucks traveling on all-weather macadam highways to reach railheads. The Pennsylvania, Southern, and Illinois Central Railroads, among others, ran "object-lesson trains" to small towns along their routes, carrying the men and materials needed to pave a short stretch of local roadway so the locals could see the possibilities. U.S. Senator J. W. Daniel, on hand to welcome one such train's visit to Lynchburg, Virginia, in 1901, described it enthusiastically as "an itinerant college on wheels."

The vision of intermodal transport the railroads were seeking to promote made perfect sense. Rail transport lacks the flexibility of the rubber wheel kind, but it has other advantages that make it far superior when the circumstances allow. The biggest is a unique quality of the technology itself. Steel wheels on steel rails meet with very little rolling resistance. They don't compress and absorb energy from the surface the way a tire does, and the rail itself is much smoother than any road, so trains have only about one-tenth the rolling resistance of trucks. And because of the way rails absorb and spread the weight of a vehicle over long distances, this advantage increases as freight is added. The more you load up a train, the more efficient it becomes compared to a fleet of trucks carrying the same cargo.

A recent study suggests that $250 to $500 billion invested in electrified rail infrastructure would get 85 percent of long-haul trucks off the road, reduce greenhouse gas emissions by 38 percent, and grow the economy by 13 percent.

The Environmental Protection Agency calculates that for distances of more than 1,000 miles, a system in which trucks haul containers only as far as the nearest railhead and then transfer them to a train produces a 65 percent reduction in both fuel use and greenhouse gas emissions. As the volume of freight is expected to increase by 57 percent between 2000 and 2020, the potential economic and environmental benefits of such an intermodal system will go higher and higher. Railroads are also potentially very labor efficient. Even in the days of the object-lesson train, when brakes had to be set manually and firemen were needed to stoke steam engines, a five-man crew could easily handle a fifty-car freight train, doing the work of ten times as many modern long-haul truckers.

In the first half of the last century, railroads used these and other advantages of steel wheel technology to provide services we tend to think of as modern, or in some cases even futuristic. The Pacific Fruit Growers Express delivered fresh California fruits and vegetables to the East Coast using far less energy and labor than today's truck fleets. The rhythmically named Chicago, Milwaukee, St. Paul, and Pacific (a.k.a. the Milwaukee Road) hauled hundred-car freight trains over the Cascade and Rocky Mountains using electric engines drawing on the region's abundant hydropower. The Railway Express Agency, which attached special cars to passenger trains, provided Americans with a level of express freight service that cannot be had for any price today, offering door-to-door delivery of everything from canoes to bowls of tropical fish to, in at least one instance, a giraffe. Into the 1950s, it was not uncommon for a family to ship its refrigerator to and from a lakeside cabin for the summer via the REA; thanks to the physics of steel-on-steel conveyance, appliance-sized items could be moved for trivially larger amounts of money than smaller goods (think about that the next time you shell out an extra $50 to check a suitcase of dirty clothes on a domestic flight).

High-speed Railway Post Office trains also offered efficient mail service to even the smallest towns which is not matched today. In his book *Train Time*, Harvard historian and rail expert John R. Stilgoe describes the Pennsylvania Railroad's Fast Mail train No. 11, which, because of its speed and on-board crew of fast sorting mail clerks, ensured next-day delivery on a letter mailed with a standard two-cent stamp in New York to points as far west as Chicago. Today, that same letter is likely to travel by air first to FedEx's Memphis hub, then be unloaded, sorted, and reloaded onto another plane, a process that demands far greater expenditures of money, carbon, fuel, and, in many instances, time than the one used eighty years ago.

The glory days of American railroads are now beyond the memory of most Americans. Rail service was already in decline during the Depression, and the gas rationing and logistical strains of World War II made train travel a standing-room-only horror. In large part because of that generational experience, most Americans came to believe that the decline of railroads was an inevitable part of the march of progress. But the reality is close to the opposite. Especially for long-haul freight, steel wheel on steel rail is a far superior technology, and its eclipse by rubber wheels is mostly the result of special interest politics, ill-considered public policies, and other factors that have nothing to do with efficiency.

Manipulated by Wall Street and often badly managed, railroads were ultimately no match for the growing combination of interests—Standard Oil, General Motors, tire and asphalt makers—that grew into the auto-highway complex. For decades, railroads were also slowly crippled by state and federal laws that forced them to run money-losing passenger trains and to keep on featherbedding employees rendered obsolete

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by new technology. Rail companies, as private-sector entities, remained responsible for maintaining their own infrastructure and for paying increasingly high property taxes on it, even as public money poured into highway and airport construction. And when railroads improved their efficiency, as they did substantially after World War II, they were often prevented by the now-defunct Interstate Commerce Commission from passing the savings on to shippers, which resulted in further loss of market share to trucks.

Many railroads died in the 1970s. At the beginning of the decade, the Erie Lackawanna Railroad had moved very fast trains loaded with United Parcel Service vans on flat cars along its two-track, wide-clearance mainline stretching from Jersey City to Chicago—a model of intermodal transportation. But the railroad did not live to see the 1980s, and now most of the line is abandoned. On the eve of the 1973 oil crisis, the proprietors of the Milwaukee Road ripped out its once state-of-the-art electrical wiring to raise cash. Much of the line is now a bike trail. By the start of the '80s, the government had eased some of the policy constraints on the railroads, giving them relief from running passenger trains without compensation and a substantial measure of price deregulation. But by then the damage was done. Thinking their industry was in terminal decline, many railroad managements continued to tear up tracks and use what little capital they had to diversify into new businesses, like theme parks, and, in one instance, even mutual funds.

But then, starting in the late '80s, something unexpected happened. As fuel and labor costs rose, and highway congestion worsened, more and more shippers started looking for an alternative to trucking. Once reduced to transporting mostly heavy, low-value commodities such as coal, railroads started gaining business in the transport of more time-sensitive, high-value items—everything from Japanese computers to California wine—typically using containers double stacked on flat cars. On routes where they still have adequate infrastructure, railroads have won back fantastic amounts of business from trucks, especially on long hauls such as Los Angeles to New York, where railroads now have a 72 percent market share in container traffic and could have more. Railroads have gone from having too much track to having not enough. Today, the nation's rail network is just 94,942 miles, less than half of what it was in 1970, yet it is hauling 137 percent more freight, making for extreme congestion and longer shipping times.

The half-conscious decision by Washington, Wall Street, and the last generation of rail management to abandon much of the rail system thus prevents railroads from getting more trucks off the road. For example, UPS desperately wants to use fast trains like the ones Erie Lackawanna once had to reduce the cost of moving parcels coast to coast in less than four days, a feat currently requiring a tag team of truck drivers at enormous cost in fuel and labor. For a brief time in 2004, UPS did persuade two railroads to run a train fast enough to handle this business. But due to insufficient track to allow slower trains to get out of its way, the UPS bullet train caused massive congestion, freezing up the Union Pacific system for months until the railroad at last canceled the service. Big trucking companies like J. B. Hunt, meanwhile, have become the railroad's biggest intermodal customers, sending as many of their containers as they can by rail.

Why don't the railroads just build the new tracks, tunnels, switchyards, and other infrastructure they need? America's major railroad companies are publicly traded companies answerable to often mindless, or predatory, financial Goliaths. While Wall Street was pouring the world's savings into underwriting credit cards and sub-prime mortgages on over-valued tract houses, America's railroads were pleading for the financing they needed to increase their capacity. And for the most part, the answer that came back from Wall Street was no, or worse. CSX, one of the nation's largest railroads, spent much of last year trying to fight off two hedge funds intent on gaining enough control of the company to cut its spending on new track and equipment in order to maximize short-term profits.

Railroads' current capacity is limited by choke points such as the low-slung Howard Street Tunnel in Baltimore, so old it appears on the National Register of Historic Places. When a fire closed the tunnel in 2001, trains were diverted as far west as Cincinnati.

So the industry, though gaining in market share and profitability after decades of decline, is starved for capital. While its return on investment improved to a respectable 8 percent by the beginning of this decade, its cost of capital outpaced it at around 10 percent—and that was before the credit crunch arrived. This is no small problem, since railroads are capital intensive, spending about five times more just to maintain remaining rail lines and equipment than the average U.S. manufacturing industry does on plant and equipment. Increased investment in railroad infrastructure would produce many public goods, including fewer fatalities from truck crashes, which kill some 5,000 Americans a year. But public goods do not impress Wall Street. Nor does the long-term potential for increased earnings that improved rail infrastructure would bring, except in the eyes of Warren Buffett—who is bullish on railroads—and a few other smart, patient investors.

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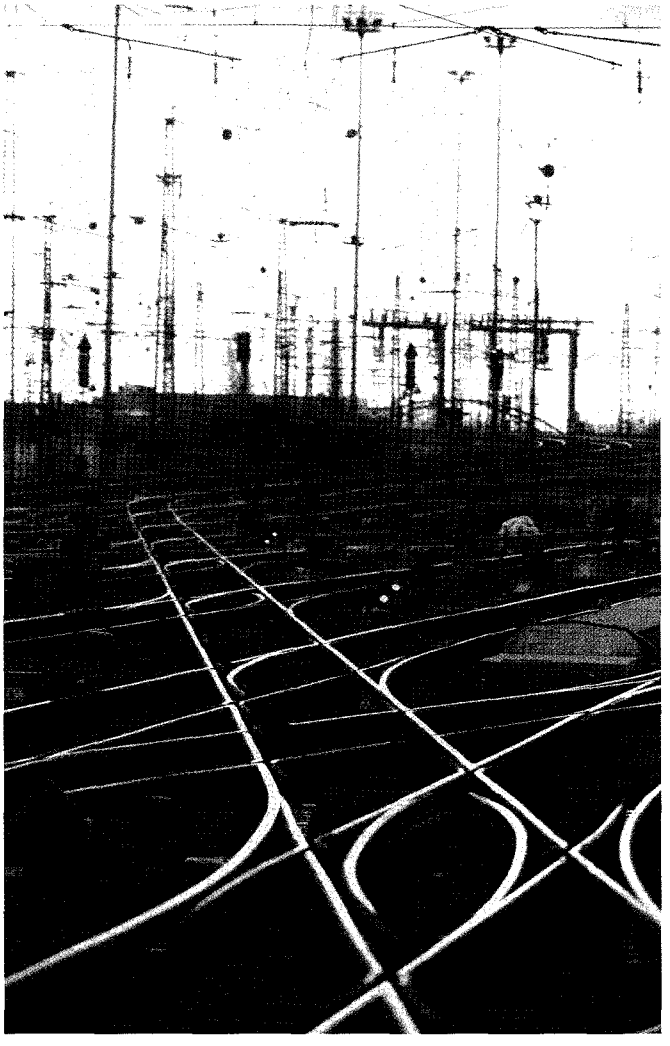
The alternative is for the public to help pay for rail infrastructure. Actually, it's not much of a choice. Unlike private investors, the government must either invest in shoring up the railroads' overwhelmed infrastructure or pay in other ways. Failing to rebuild rail infrastructure will simply further move the burden of ever-increasing shipping demands onto the highways, the expansion and maintenance of which does not come free. The American Association of State Highway and Transportation Officials (hardly a shill for the rail industry) estimates that without public investment in rail capacity 450 million tons of freight will shift to highways, costing shippers $162 billion and highway users $238 billion (in travel time, operating, and accident costs), and adding $10 billion to highway costs over the next twenty years. "Inclusion of costs for bridges, interchanges, etc., could double this estimate," their report adds.



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Choke Points

Let's start with the small-scale stuff that needs doing. There are many examples around the country where a relatively tiny amount of public investment in rail infrastructure would bring enormous social and economic returns. Why is I-95 so congested with truck traffic that drivers divert to I-81 and overwhelm that interstate as well? One big reason is that railroads can capture only 2 percent of the container traffic traveling up and down the eastern seaboard because of obscure choke points, such as the Howard Street Tunnel in downtown Baltimore. The tunnel is too small to allow double-stack container trains through, and so antiquated it's been listed on the National Register of Historic Places since 1973. When it shut down in 2001 due to a fire, trains had to divert as far as Cincinnati to get around it. Owner CSX has big plans for capturing more truck traffic from I-95, and for creating room for more passenger trains as well, but can't do any of this until it finds the financing to fix or bypass this tunnel and make other infrastructure improvements down the line. In 2007, it submitted a detailed plan to the U.S. Department of Transportation to build a steel wheel interstate from Washington to Miami, but no federal funding has been forthcoming.

The Howard Street Tunnel is the worst of some seventy rail choke points in the mid-Atlantic region alone. According to a study commissioned by the I-95 Corridor Coalition, a group of transportation officials along the highway's route, fixing these choke points would cost $6.2 billion and return twice that amount in benefits. The returns would include $2.9 billion in reduced freight transportation costs, $6.3 billion in direct savings due to reduced highway congestion for vehicles still on the road, and $3.7 billion in indirect economic benefits generated throughout the economy by these transportation savings. Importantly, rail capacity can often be improved substantially by relatively low-cost measures such as adding signals, occasional switches, and new, computerized train control devices, whereas with rubber wheel interstates the only way to add capacity is to add lanes. This is another reason why the social rate of return on rail investment is much higher than on most highway projects.

Another notorious set of choke points is in Chicago, America's rail capital, which is visited by some 1,200 trains a day. Built in the nineteenth century by noncooperating private companies, lines coming from the East still have no or insufficient connections with those coming from the West. Consequently, thousands of containers on their way elsewhere must be unloaded each day, "rubber-wheeled" across the city's crowded streets by truck, and reloaded onto other trains. It takes forty-eight hours for a container to travel five miles across Chicago, longer than it does to get there from New York. This entire problem could be fixed for just $1.5 billion, with benefits including not just faster shipping times and attendant economic development, but drastically reduced road traffic, energy use, and pollution.

Wind Trains

Once kinks like these have been ironed out of the system, we can focus on the big picture—most importantly the electrifi-

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cation of America's major rail lines. Today, most other industrial countries make extensive use of electric locomotives, and for good reason. They are two and a half to three times more efficient than diesels, more powerful, and cheaper to maintain. They also last longer, accelerate faster, and have much higher top speeds. Trains carrying containers at 100 miles per hour are more than possible. Powered by an overhead wire or third rail, electric locomotives don't have to lug the weight of their own fuel around with them. Another remarkable feature is that when electric locomotives brake, they generate electricity, which is fed back into the grid and used to power other trains. An electric locomotive braking down one side of a mountain, for example, sends energy to trains struggling up the other side. With all these advantages, electric railroads are fully twenty times more fuel efficient than trucks.

Rail electrification also offers significant opportunities for zero-emission freight and passenger transportation. Heirs to the Milwaukee Road's hydropowered line could traverse the Great Plains, powered by the region's wind farms. In fact, there is probably no more practical use for wind than using it to power "wind trains" running across the heartland. Most wind farms are and will be concentrated near rail lines in any event, because the large size of windmills makes them difficult and expensive to move by truck. There is also no loss of energy in transmission when windmills power passing trains—a big problem in other applications. Some companies are already exploring the possibilities: BNSF Railway, which traverses many wind zones, is investigating a deal by which it would lease space for power lines along its rights-of-way to utilities in exchange for access to discounted wind power for its trains.

Much of the electrification could start almost immediately. In the 1970s, the National Academy of Science and many others concerned about that decade's energy crisis did extensive work in mapping out the specific lines most suitable to electrification. In 1977, at one of the many technical conferences on the subject, Milton J. Shapp, then governor of Pennsylvania, spoke for many of the visionaries involved when he observed that "particularly in view of the energy crisis, it is essential to the well-being of our nation that our major railroads electrify." A temporary fall in oil prices and an abundance of short-term thinking killed almost every last project, but we still have the benefit of all the studies sitting on shelves.

The work involved in constructing overhead wires, or catenary, requires unique skills, but one can imagine laid-off construction workers taking to it far better than, say, to nursing, and with less retraining. Current studies indicate that labor and construction costs would come to about $2 million per mile—and maybe less, if steel prices continue to sink. Wiring the 36,000 miles of mainline track on the nation's high-density routes would thus come in at a cost of around $72 billion. According to John Schumann, professional engineer at the rail transportation consulting firm LTK Engineering, completing such a project could take as little as six years.

Additional funds would be needed, of course, for new locomotives and generating capacity. But building or retrofitting locomotives to operate under the new grid could put lots of laid-off autoworkers back to work. General Motors, until it sold off its Electro-Motive Division in 2005 to private investors, was long the nation's dominant diesel-electric locomotive maker. The spinoff company is still headquartered in LaGrange, Illinois, though most production has shifted to London, Ontario. General Electric, which remains a world leader in locomotive building, with a big plant in hard-pressed Erie, Pennsylvania, could also use the business and would bring much expertise to it.

The Back on Tracks Project

To say the federal government should invest in railroads is not to say it should own them. It's true that countries with nationalized railroad systems can take a broader view of the social value of railroad investment, which is why the Swiss, having voted to put all trucks crossing their country onto trains, are busy carving rail tunnels—one thirty-five miles long—through the Alps. But nationalizing U.S. railroads would bring with it all the problems attendant to government bureaucracies, and buying out current shareholders would cost taxpayers a bundle. What the government should do instead is make creative use of public/private partnerships—like the deal Virginia cut with Norfolk Southern—to fund more rail infrastructure and better integration of trucks and trains.

Electrifying and otherwise improving rail infrastructure wouldn't depend on persuading a single American to take the train instead of flying or driving. In fact, it would reduce carbon emissions while making driving more enjoyable and less dangerous.

There are many ways this could be done. During the Great Depression, for example, the Reconstruction Finance Corporation offered loan guarantees to the Pennsylvania Railroad to electrify its lines between New York, Washington, and Harrisburg, which brought such efficiency to the railroad that it was one of the few to avoid bankruptcy during the 1930s. Today, a national infrastructure bank—which many, including Barack Obama, have proposed—could play the same role. Reduced capital gains taxes for investors in rail infrastructure could also help direct capital to where it is needed. Flat-out grants, akin to federal highway money,

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would also be appropriate, since they would directly reduce the amount of money needed for highway construction and maintenance, not to mention all the other economic and environmental benefits.

If the public helps railroads make these investments in electrification and other infrastructure improvements, it will, of course, earn important quid pro quos. Railroads, for example, could be required to apportion a certain amount of their increased capacity to public use, such as for commuter trains, which the railroads might or might not operate themselves. (Some have shown interest.) It should also be possible to negotiate open access to publicly financed rail infrastructure. This would allow outside companies to rent the rails and run their own freight, package express, fast mail, or passenger trains on them. It would also be a good check on any tendency toward monopoly pricing and provide for many other synergies as well.

In Great Britain, a subsidiary of Virgin Airlines called Virgin Trains operates passenger trains on publicly financed infrastructure, as do other private passenger and freight companies. Following this example would create something very much like the current interstate highway system: publicly financed transportation infrastructure maintained for the benefit of private operators. America's major railroads are wary of the full, open-access model and want to retain ownership of their track. But with the promise of enough public capital and the threat of re-regulation, deals can be struck that will bring profound benefits across the economy.

A hydropowered rail line once ran across Montana. But on the eve of the 1973 oil crisis, its owners ripped out its once state-of-the-art wiring to raise cash.

For example, there is no reason we cannot again have fast, efficient express freight service of the kind the Railway Express Agency once provided. For cities as far apart as New York and Chicago, trains can beat planes on next-day mail service. As consulting engineer Alan Drake points out, when passengers and express freight or mail are borne by the same train, the economics of passenger rail improve dramatically, making possible far wider service. We also have the chance to reduce drastically the cost and huge carbon footprint of using trucks and planes almost exclusively to ship perishables across the country. Until the 1970s, railroads handled nearly all fresh food movement from California and Florida, and could again, making healthy winter fruits and vegetables cheaper, and less hard on the planet.

Another potential use of steel wheel interstates would be auto trains. Today, Amtrak offers a service that allows motorists to drive their cars onto special auto racks that are attached to the back of a passenger train. The train runs daily between northern Virginia and central Florida, saving users 855 miles of driving down I-95. The service is particularly popular among northern "snowbirds" who spend the winter in Florida and want to have their cars with them. For now, this is a specialty market, and it is not cheap because of the energy required to haul the weight of the automobiles. But with the potential energy efficiency of an electrified steel wheel interstate system, auto trains could make sense in many markets, whether run by Amtrak or private firms.

A similar service might also appeal to remaining independent long-haul truckers. (We'd still need some for transport of time-sensitive cargo to and from remote locations.) In Europe, a company called HUPAC offers a service known as "the rolling highway." By attaching a coach to the end of its container trains, it allows drivers to rest as they and their rigs traverse the Alps. Truckers in this country, before exceeding their daily legal maximum of eleven hours behind the wheel, could load their rigs onto a rolling highway and get some 900 miles down the road while they took their mandatory ten hours rest.

Is all this politically feasible? Certainly more so than a year ago, before the consensus formed that we must invest massively in infrastructure of some kind. Importantly, too, we're not talking about bailing out a failing industry, but about helping an expanding, more energy-efficient one to grow fast enough to meet pressing public needs. Nor would we be making big bets on unproven technology. Also, it's important to remember that big trucking companies, facing acute driver shortages and mounting highway congestion, are increasingly shifting their containers to rail and so have an interest in improved rail infrastructure. With trucking companies morphing into logistics companies, it's a new day in the special interest politics of freight.

Finally, the proposal has an additional political advantage: it doesn't involve pricing or guilt-tripping people out of their automobiles. Electrifying and otherwise improving rail infrastructure would indeed facilitate the coming of true high-speed rail passenger service to the United States, a goal Obama committed to as a candidate. But its success wouldn't depend on persuading a single American to take the train instead flying or driving. Indeed, with its promise of making driving more enjoyable and less dangerous, the proposal bridges the divide between auto-hating, Euroland-loving enviros and those who see access to the open road as an American birthright. What could be more post-1960s? Mr. President, this is change we can believe in. WM

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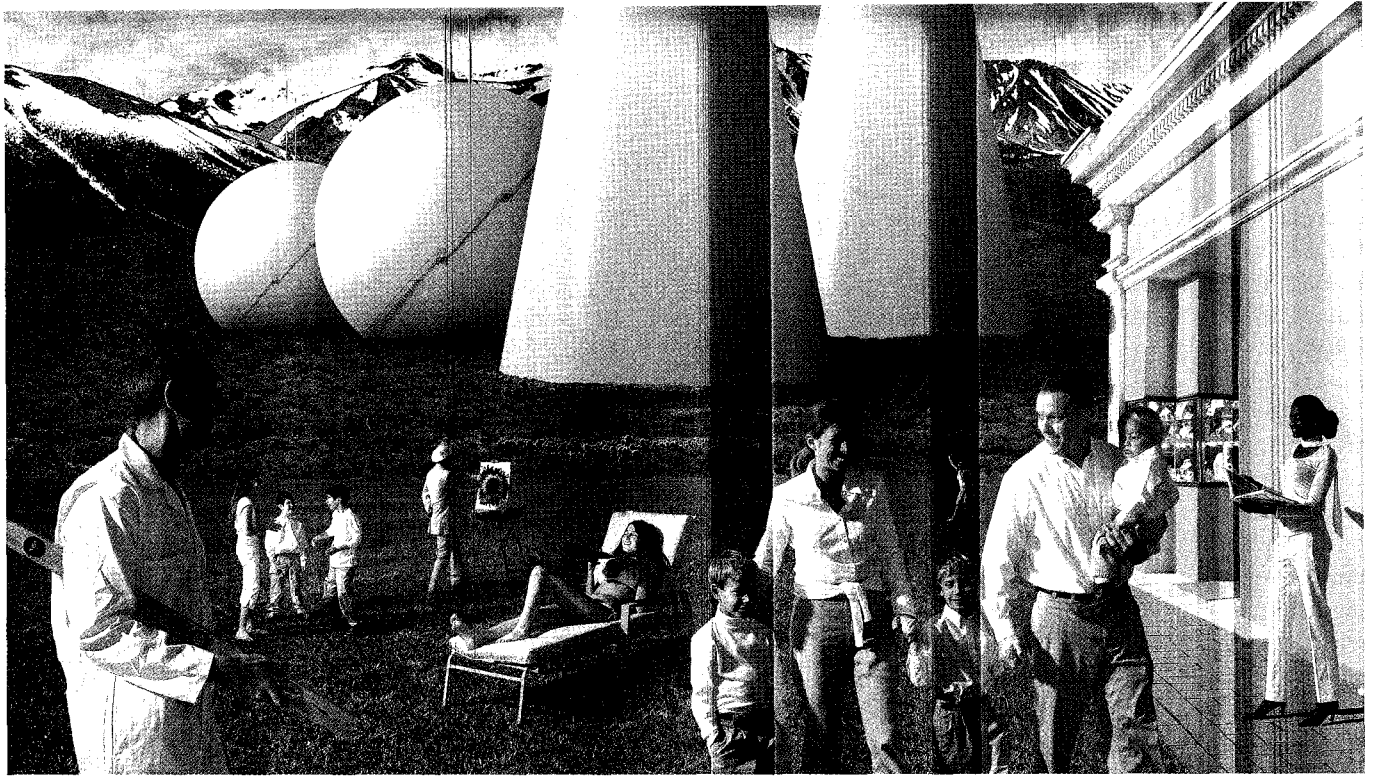

James Porto

Bad Reactors

Rethinking your opposition to nuclear power? Rethink again.

By Mariah Blake

Seven years ago, Finland was faced with a daunting energy dilemma. To keep its domestic industries up and running, it needed to double its electricity supply by 2025. At the same time, it had to cut carbon emissions by fourteen million tons a year to comply with its obligations under the Kyoto Protocol. The question was how to fill the gap without stifling its flourishing economy or increasing dependence on costly imports.

As it hunted for solutions, the Finnish government decided to consider a controversial option: building another nuclear power plant. It was not a new idea; in fact, the Finns had weighed and rejected it nine years earlier. But since then, officials reasoned, the situation had changed. Besides a new imperative to reduce carbon emissions, a new generation of nuclear reactors had recently come onto the market. None had been built, but the industry claimed that their simple, standardized designs and modular components would make them far easier and less expensive to assemble than their predecessors. In fact, a study by the Lappeenranta University of Technology, which used figures on par with industry estimates for capital costs, found that a new atomic plant could deliver electricity more affordably than any other large-scale energy option. A group of lawmakers appointed by Prime Minister Paavo Lipponen to study the issue also concluded that a single reactor could create a much greater drop in greenhouse gas emissions than the next cheapest option, building more gas-fired plants. This meant there would be less pressure on the government to enact other mechanisms, such as a gasoline tax, that might put a dent in consumer spending and hamper economic growth.

Based on these findings, in May 2002 the Finnish parliament voted to approve the construction of a new nuclear power plant, something no Western nation had done in more than a decade. In industry circles, the decision was heralded as a breakthrough. Areva, the French company selected to build the reactor, touted the project as "historic" and promised that it would open the door to a global nuclear renaissance. In the United States, the Heritage Foundation issued a white paper commending Finland's "rational approach to nuclear power," and the *New York Times* ran a story calling the nation's choice "prescient." Tens of thousands of lawmakers and energy buffs from around the globe descended on Olkiluoto, where the reactor is being built, to witness the bold experiment taking shape.

A craggy peninsula, which sits at the end of a two-lane road lined with sagging barns, rusty tractors, and thick birch and pine groves, Olkiluoto is being transformed into a thriving showcase for the promise of clean, abundant nuclear power. Not far from the construction site is an airy 10,000-square-foot visitor's center with a glass wall overlooking the cool blue waters of the Bothnian Sea. In addition to a restaurant and an au-

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ditorium, the center features an elaborate interactive exhibit on the merits of smashing atoms. There are imitation caves full of real yellowcake uranium and a life-size mock-up of the new reactor's core, complete with hundreds of aluminum rods and the cobalt glow of Cerenkov radiation. All around, images of mossy forests paper the walls, and birds chirp over the speakers.

But the building site is far less serene. When I visited in November, it was teeming with lumbering backhoes, churning cranes, and workers doubled under sacks of concrete. Hundreds of metal shipping containers and canvas tents were scattered around a fifteen-acre hole blasted into the granite bedrock. Rising from one end of the pit was the containment building, a ninety-foot-tall tower with its top wrapped in scaffolding, which houses the reactor. From afar it looked like a solid pillar of concrete, but as I picked my way through stacks of rusty I beams and giant spools of cable, I noticed Bondo-colored patches scattered across its face. Eventually, I looped around back and crossed a rickety plywood bridge that led inside. The interior of the containment building was lined with a solid layer of steel that was crisscrossed with ropy welds. On this surface someone had scrawled the word "Titanic."

New nuclear construction projects appear to be prone to the same delays and multibillion-dollar cost overruns as those undertaken a generation agao, which raises serious questions about the potential of nuclear power as a front-line solution to climate change.

These marks are the last remaining hints of the problems that have plagued this thick outer shell, the last line of defense in case of a meltdown. The steel liner was hand forged using outdated plans by a Polish subcontractor, which had no prior nuclear experience. As a result, the holes for piping were cut in the wrong spots, and the gaps along the weld joints were too wide. Entire sections had to be ripped apart and rebuilt. And the containment liner is not unique. Virtually every stage of the construction process has been dogged by similar woes, from the nine-foot-thick foundation slab (the concrete was mixed with too much water, making it weaker than had been called for in the plans) to the stainless steel pipes that feed water through the reactor core (they had to be recast because the metal was the wrong consistency). To date, more than 2,200 "quality deficiencies" have been detected, according to the Finnish nuclear authority, STUK. Largely as a result, the project, which was supposed to be completed in 2009, is three years behind schedule and is expected to cost $6.2 billion, 50 percent more than the original estimate. And the numbers could keep climbing. "There are still some very challenging phases ahead," says Petteri Tiippana, STUK's assistant director for projects and operational safety. "Things will have to go extremely well if those responsible for building the project are to hit the new targets."

These complications have already erased the cost savings nuclear power was supposed to deliver compared to other energy sources, such as natural gas. What's more, the reactor won't be completed before 2012, when the Kyoto treaty expires. To meet its targets, between now and then Finland will have to buy hundreds of millions of dollars' worth of credits through the European Union's emissions trading scheme. In the meantime, because the country expected the reactor to deliver a bounty of energy and didn't pursue other options, it's facing a severe electricity shortage and will have to import even more from abroad, which will drive up power bills. Elfi, a consortium of Finnish heavy industries, has calculated that the project delays will create $4 billion in indirect costs for electricity users.

The implications of Finland's ordeal reach far beyond its borders. After three decades of struggling to gain traction through an aggressive lobbying and PR campaign, the nuclear power industry is on the verge of global resurgence. More than 100 new nuclear plants are being built or planned around the world. In the United States, there are thirty-five reactors on the drawing board, with licensing applications for twenty-six of them already under review by the Nuclear Regulatory Commission (NRC)—the first batch the agency has seen since 1978. These projects enjoy a broad public backing that would have been unthinkable a decade ago: a recent poll by Zogby Interactive found that two-thirds of all Americans support the construction of new reactors on U.S. soil. And this support cuts across political lines, with half of all Democrats favoring more nuclear power. Liberal opinion makers, such as *New York Times* columnist Thomas Friedman, have also endorsed the nuclear option. *Wired* magazine has repeatedly urged readers to "Go Nuclear." Even a few longtime foes of atomic energy, like House Speaker Nancy Pelosi, now argue it "has to be on the table." As for President Barack Obama, both he and his energy secretary, the Nobel Prize–winning physicist Steven Chu, have offered at least qualified support for expanding the use of nuclear power in the United States.

What's behind this dramatic reversal? The short answer is that climate change has shuffled priorities. Nuclear power may have some unsavory side effects, like radioactive waste and the risk of meltdowns. But no other energy source can deliver vast quantities of low- or zero-carbon energy at a price that rivals natural gas and coal, as the industry has promised the new breed of reactors will do. With this in mind, many people who once dismissed atomic power out of hand have come to view it as a vital, if imperfect, tool in the struggle to salvage our warming planet.

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But as Finland's experience shows, the reality may be far messier than the industry lets on: a growing body of evidence suggests that new nuclear construction projects are prone to the same setbacks as those undertaken a generation ago, when lengthy delays and multibillion-dollar cost overruns were commonplace. This raises serious questions about the potential of nuclear power as a front-line solution in the battle against climate change.

In the early days of the Atomic Era, nuclear power was heralded as a panacea—a cheap, abundant energy source that would spur economic growth, cut dependence on foreign oil, and enable every imaginable human endeavor. President Dwight Eisenhower gave voice to this sentiment in 1954, when the United States broke ground on its first commercial reactor in Shippingport, Pennsylvania—part of an ambitious, government-funded program to develop a viable nuclear energy sector. "In thus advancing toward the economic production of electricity by atomic power," the president enthused, "mankind comes closer to fulfillment of the ancient dream of a new and better earth." He then kicked off the ground-breaking celebration with space-age flare by waving a "neutron wand" over a special neutron detector, signaling a robotic bulldozer to scoop up a pile of dirt. Days later, Lewis Strauss, chairman of the Atomic Energy Commission, declared that future generations would enjoy electricity "too cheap to meter."

By December 1957, residents of western Pennsylvania were brewing coffee and vacuuming carpets with power from the Shippingport plant. The project's success set off a chain reaction. Beginning in the early 1960s, utilities—lured by promises of cheap electricity and growing concerns about air pollution—were lining up to purchase new reactors, a phenomenon historians have dubbed the "great bandwagon market" for nuclear power. Between 1965 and 1967, sixty plants with 40,000 megawatts of generating capacity were ordered.

By the mid-1970s, more than 100 nuclear power stations were being planned or built. But the manic enthusiasm was fading as reactor projects ran aground amid soaring inflation, shrinking energy demand, bungled construction, and regulatory delays. Perhaps the most infamous boondoggle was the Shoreham Nuclear Power Plant on the Long Island Sound. The Long Island Lighting Company spent twenty-five years and $6 billion—eighty times the original estimate—trying to get it up and running. But it was never licensed to operate. The debacle saddled Long Island residents with some of the nation's highest electricity rates and pushed the regional economy to the brink of ruin.

As problems piled up, the market for new reactors collapsed. Between 1973 and 1978 the number of annual orders dwindled from thirty-eight to two. Some utilities began canceling reactor plans or abandoning half-built projects. In the mid-1980s, the Washington Public Power Supply System walked away from two unfinished reactors and $2.25 billion in bonds, the largest municipal bond default on the books. Another major utility was forced into bankruptcy. In 1985, *Forbes* magazine surveyed the wreckage of the nuclear power industry and described it as "the greatest managerial disaster in business history."

Although public opposition and safety concerns played a role in the industry's undoing—especially after the partial meltdown at Pennsylvania's Three Mile Island plant in 1979—the primary stumbling blocks were economics and an unworkable business model. Most first-generation plants were custom designed and built, and in many cases design plans weren't finished before construction began. This opened the door to construction errors and endless regulatory delays. In the hopes of rescuing the industry, in 1985 the Electric Power Research Institute, an industry-funded think tank, aided by executives from nuclear utilities and Nuclear Regulatory Commission officials, came up with a set of principles for next-generation reactors with simpler, standardized designs, fewer moving parts, and more modular components. The goal was to make them not only safer than their predecessors, but also faster and less expensive to build than coal-fired power plants. Four years later, the NRC overhauled its regulatory process to help this effort along. Reactor vendors were invited to submit a limited number of designs for precertification, so utilities could simply pick one and apply for a permit to build it as a specific site. "The idea was to commit to just a few designs, and set those designs in stone to create a more efficient process," explains NRC spokesman Scott Burnell.

The interior of the containment building was lined with a solid layer of steel that was crisscrossed with ropy welds. On this surface someone had scrawled the word "Titanic."

The first two standardized designs were rolled out in 1997, but they were never built in the United States. After the fiascoes of the previous decade, banks and investors were simply too shell-shocked to risk financing new reactors, despite promises about the new streamlined plans. Hoping to overcome this barrier, the nuclear industry turned its attention to Capitol Hill, where it found that its concerns dovetailed with those of another interest group, which happened to have a powerful patron.

Around the time the first standardized reactor designs hit the market, veteran New Mexico Senator Pete Domenici was approached by two aides: Alex Flint, a savvy twentysomething operative who had worked his way up from the mail room, and Pete Lyons, a physicist whose salary was paid by the Los Alamos National Laboratories in Domenici's home

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state. Nearly a decade after the fall of the Berlin Wall, Los Alamos—the storied nuclear weapons lab that gave birth to the atom bomb—was fighting to defend its billion-dollar budget from congressional proposals to privatize or scale back weapons research. In America's stalled nuclear power industry, Flint and Lyons saw a potential second act for the lab's scientists and the rest of the nuclear weapons sector. Domenici, a technology buff and tireless advocate of New Mexico's labs (the largest employer in northern New Mexico, and the destination for 20 percent of the state's federal funding), embraced the idea. In June 1998, he convened a gathering of nuclear energy lobbyists and senior officials from industry, government, and the national labs. After six hours of brainstorming, the group hashed out a plan to put nuclear energy back on the nation's agenda. Among the key steps were reframing the debate to position nuclear power as an abundant, carbon-free energy source; creating "a broad-based nuclear mission that advocates a viable commercial sector" within the Department of Energy; and persuading Congress to "legislate a level playing field" for nuclear power by creating large-scale subsidies and tax credits.

Atomic Dog: French Prime Minister Dominique de Villepin, left, visits the site of a nuclear power station in Olkiluoto, Finland, in 2006. The Olkiluoto plant was supposed to be the beginning of a nuclear renaissance in Europe; instead, it's become a boondoggle reminiscent of the nuclear projects of the 1970s and '80s.

AFP/Getty Images

Over the next few years, the forum participants and their political allies got to work. In 2001, the Bush administration took office and began working to overhaul government agencies to make them friendlier to the industry. Layers of NRC regulation were stripped away. At the DOE, the top position in the Office of Nuclear Energy was promoted to an assistant-secretary-level appointment, and a host of new programs were added to promote the resurgence of atomic energy—among them Nuclear Power 2010, under which the government pays half the cost of site selection, planning, and licensing for new nuclear reactors. The industry, meanwhile, worked to shift public perception, through an aggressive PR campaign that involved, among other things, planting ghostwritten op-eds advocating nuclear energy in local newspapers under the names of prominent local personalities, and setting up front groups that appeared to be independent environmental organizations, such as the New Jersey Affordable, Clean, Reliable Energy Coalition. It also began pressing Congress for subsidies and, starting in 2001, federal loan guarantees. But nuclear advocates made little headway on this front until 2003, when Republicans regained control of the Senate and Domenici was appointed chairman of the Energy Committee. He rehired Alex Flint, who had gone on to work as a nuclear power lobbyist, to direct the committee's work. Flint spent the next two years wrangling with politicians, often in secret, over a new energy bill.

On August 8, 2005, President George W. Bush's motorcade arrived at Sandia National Laboratories, in Albuquerque, New Mexico. The president toured the lab's Solar Tower Facility, a field of solar collectors pieced together from giant mirrors, which sits in the hilly scrubland surrounding the Sandia compound. Then he walked into the lab's auditorium. Seated beneath a giant banner with an image of clear blue sky, he signed the Domenici-sponsored Energy Policy Act of 2005 into law. The act fulfilled many of the industry's key legislative ambitions. Most importantly, it provided unlimited federal loan guarantees to cover up to 80 percent of project costs for next-generation nuclear plants and other "innovative technologies" to reduce greenhouse gas emissions. It also included a twenty-year extension of the Price-Anderson Act, which limits the liability of nuclear power plant operators in case of accidents, and $13 billion in direct subsidies for nuclear power, including $2 billion in "risk insurance" to pay extra costs caused by delays in construction and licensing for the first six new reactors. Bush touted these measures as a boon for the environment. "Of all our nation's energy sources, only nuclear power plants can generate massive amounts of electricity without emitting an ounce of air pollution or greenhouse gases," he said, to a burst of applause.

The Energy Policy Act's passage signaled a seismic shift: in less than a decade, the nuclear power industry had gone from energy pariah to political heavyweight. Its lobbying operation was now among the most formidable on Capitol Hill, thanks to a generous infusion of cash. (Since the mid-1990s, the energy and nuclear power sector has spent at least $953 million lobbying Congress and the executive branch, according to the Center for Responsive Politics—more than any group except the pharmaceutical and insurance industries.) That money helped the

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industry to meet most of the goals laid out at the 1998 forum and win tens of billions of dollars in new subsidies. All told, the nuclear power sector has secured more than $100 billion in federal support, at least $25 billion of it in the last four years alone, according to the nonpartisan group Taxpayers for Common Sense. That's far more than renewable energy sources.

While Republicans—especially those with links to energy interests and the national labs—played a key role in the industry's resurgence, this stunning second act would not have been possible without the growing support of Democratic lawmakers. By 2005, it was becoming clear that the dangers of climate change were real, and politicians saw few solutions. Renewable energy was still viewed as an expensive niche market that was decades away from providing power on a large scale (though, in reality, some renewables—wind, most notably—were becoming financially competitive with coal). As a result, many Democrats were rethinking their reservations about atomic energy, including longtime foes like Senate Majority Leader Harry Reid, who was once "totally opposed to nuclear power." One sign of this newfound support was the broad backing for the Energy Policy Act, which passed the House by a margin of 275 to 156 and the Senate by 74 to 26. Four out of ten Democrats voted for it, including then Senator Barack Obama, who declared that the bill took "significant steps in the right direction on energy policy."

But this emerging bipartisan consensus did not extend to Wall Street, where the new package of giveaways did little to ease doubts about the viability of new nuclear power. Months after the 2005 bill passed, the rating agency Standard & Poor's issued a report saying that the generous new subsidies "may not be enough to mitigate the risks associated with operating issues and high capital costs" of new nuclear plants, and that companies that built or financed them would see their credit ratings slide. This was a blow to the industry; at the time, the Nuclear Energy Institute was claiming that the overnight building costs (meaning inflation isn't factored in) for next-generation reactors would be between $1,100 and $1,500 per kilowatt capacity—roughly on par with natural gas plants and cheaper than coal. In June 2007, the Keystone Center, a Colorado-based energy think tank, published another report, funded in part by the industry, which cast fresh doubt on NEI estimates. The study (which, unlike the NEI figures, used actual

Sub-prime Nuclear Loans

In July 2007, Baltimore-based UniStar Nuclear Energy made history by applying for a permit to build a new 1,600-megawatt reactor on Maryland's Chesapeake Bay—the first application the Nuclear Regulatory Commission had seen in nearly three decades. It has since sought approval for an additional three plants in Missouri, New York, and Pennsylvania.

Behind these bold plans is a rare and complicated business model. UniStar, a limited liability corporation, is a joint venture of two major utilities: EDF of France and Constellation Energy, a Fortune 125 company and America's largest supplier of wholesale electricity. UniStar has also spun off a subsidiary, Calvert Cliffs 3 Nuclear Project, LLC, to build the Maryland project—a structure that gives its corporate parents two layers of protection against financial meltdown.

In its promotional materials, UniStar touts this arrangement, saying it is "powering the nuclear renaissance" through "effective risk management." But its approach carries substantial risks for the American public. According to UniStar estimates, the reactors will cost between $4,000 and $6,000 per kilowatt capacity to build, for a total of up to $38 billion. (Projections from Moody's Investment Services put the costs closer to $48 billion, roughly the same amount the United States spent on the Iraq War in 2006.) Yet UniStar's parents have only provided it with about $400 million in assets and capital, not nearly enough to tackle a project of this size. And there is a reason for this: its plan for financing these projects rests entirely on government-backed loans.

According to testimony UniStar executives gave before the Maryland Public Service Commission, the U.S. Treasury is expected to backstop 80 percent of the total costs through the Department of Energy loan guarantee program (designed largely to encourage the building of new nuclear power plants) and possibly to put up funds via its Federal Finance Bank arm. To cover the remainder, UniStar plans to seek loans from the French import/export bank COFACE. (Both Japan and France—the two countries with the capacity to manufacture new reactors—are expected to offer guaranteed loans to companies that build nuclear plants using suppliers in their countries, so other U.S. utilities will likely be eligible for this kind of support, too.) Under no circumstances do Constellation or EDF intend to dip into their own coffers to fund the project. "Without the federal loan guarantees, this whole thing will come to a stop," UniStar CEO George Vanderheyden told reporters before a community meeting about the Calvert Cliffs plant.

The Department of Energy is still weighing UniStar's loan guarantee applications, but if all goes as planned, the firm's corporate parents will have little or nothing at stake, while taxpayers are on the hook for tens of billions of dollars. And UniStar is not alone in its ambitions. Most, if not all, of the seventeen companies with applications for new reactors before the NRC are counting on federal loan guarantees—an unsettling scenario given that the Congressional Budget Office has found the risk of default on guaranteed loans for reactors to be "very high—well above 50 percent." —*M.B*

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hard data from reactors built in Asia in the 1980s and '90s) projected that the overnight costs for new nuclear plants would be about $3,000 per kilowatt, or up to $4,000 per kilowatt including inflation—at least double the NEI's estimate. The following month, the managing directors of six major financial firms—among them Lehman Brothers, Merrill Lynch, and Morgan Stanley—wrote a letter to the DOE, saying, "We believe many new nuclear construction projects will have difficulty accessing the capital markets" because lenders feared getting mired in "another Shoreham." They concluded that raising the loan guarantee ceiling to cover 100 percent of project debt was one of the "minimum conditions necessary to secure project financing." In other words, the only way to unlock capital was for taxpayers to take on all of the risk.

In October 2007, Moody's Investor Services piled on with a report projecting that new reactors would cost $5,000 to $6,000 per kilowatt to build, or up to $12 billion per unit. This figure, which was based on actual bids for new reactors in the United States, caused considerable sticker shock. The trade magazine *Nuclear Engineering International* ran an article questioning whether utilities would shelve their plans for new reactors amid revelations about "prohibitively high" costs. In January 2008, Warren Buffett's MidAmerican Energy Holdings Co. scrapped plans to build a new reactor because it found the "economics of building the next generation of nuclear power plants" were "not in our customers' best interests." But as staggering as their estimates were at the time, those who did the calculations for Keystone and Moody's have concluded, based on newer data, that they were not high enough. "The numbers have simply gone flying past our highest 2007 estimates," says Jim Hempstead, a senior vice president at Moody's, which now predicts new nuclear power plants will cost $7,500 per kilowatt to build. That's more than double the capital costs for solar power and three and a half times the cost for wind. Nuclear's high building costs are offset somewhat by low operating expenses and high operating efficiency, which in recent years has climbed from about 60 percent to more than 90 percent on average in the United States. But even taking into account these factors, according to Moody's forecasts, the production costs for nuclear power are higher than for most large-scale renewable energy sources (though not for solar power). And Moody's analysis was based on preliminary industry estimates—on average, first-generation nuclear plants in the United States cost three times initial projections.

While Republicans have played a key role in nuclear power's resurgence, the industry's stunning second act would not have been possible without the growing support of once-skeptical Democratic lawmakers.

How is it that new reactors make so little economic sense, even with massive government support? Part of the answer is that the industry still hasn't solved the problems that led to its initial collapse. A decade on, the standardized plant designs, on which nuclear advocates pinned their hopes of lower costs and greater reliability, have yet to materialize. This is not to say that no one has built a uniform fleet: some countries—most notably France, where the government holds a controlling stake in the main electricity-generating company—have managed to created a degree of standardization among their own reactors. But spreading the idea to countries with different regulatory agencies and requirements, to say nothing of the patchwork American utility market, is easier said than done. Nowhere are the hurdles more evident than in the new NRC licensing process and its supposedly set-in-stone designs. Initially, the industry had hoped to limit the number of reactor models to two or three. Instead, there are eight on offer, half of them certified, the rest awaiting approval (a process that takes years). What's more, all but one of the seventeen companies that are planning to build new reactors have chosen designs that are either not yet certified or that will need to be recertified because they have been substantially redesigned. Even the one company that has picked a fully certified model, NRG of New Jersey, isn't sticking to the original blueprints.

Rather than working with ready-made plans and a series of simple, modular components, engineers and designers working on Finland's new reactor are scrambling to finish plans even as construction is under way. During my visit to Olkiluoto, I met Jouni Silvennoinen, the construction manager on the plant for the Finnish utility TVO. He told me that, in his view, projects as large and complex as reactors simply don't lend themselves to cookie-cutter solutions. "The basic design can be planned in advance," he explained. "But you still have to do the detailed design. Where exactly is the rebar? How thick are the walls? Where is the pinning for pipes? Those details have to be tailored to the individual project, and it takes a tremendous amount of work."

Another reason estimates for new reactors have been both high and unpredictable is the atrophy of nuclear expertise and the dwindling number of suppliers, which has led to labor shortages and supply bottlenecks. Today, there is only one company in the world that can produce the heavy steel forgings for a reactor core—Japan Steel Works Ltd., in Osaka—and it has a two- to three-year backlog. In the United States, once the primary source of reactor components, the number of suppliers has dropped from 400 to eighty, while the number of accredited nuclear engineers has dwindled from 900 to 200. And the worst is yet to come. Half of all employees in the nuclear energy sector are older than forty-seven, and more than a quarter will be eligible for retirement in the next four years, according to NEI

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research. NRC Chairman Dale E. Klein summed up the gravity of the situation in remarks before the American Nuclear Society last year, saying, "The global supply chain is stretched, if not to the breaking point, at least to the tipping point."

Rather than backing away from its plans in the face of these daunting challenges, the industry and its allies have scrambled to shift even more of the financial risks to taxpayers. Before retiring in January, Domenici tried multiple times to quietly hand the DOE the authority to issue unlimited loan guarantees for "clean" power plants without congressional approval. (Under current law, Congress has the authority to set a cap on DOE loan guarantees, and so far it has only approved $18.5 billion in loans, far less than the industry needs.) Others have also taken up the cause. In August 2008, a bipartisan group of senators introduced a bill to open coastal areas to offshore drilling. Buried in it were billions of dollars in subsidies for nuclear power and language exempting DOE loan guarantees from congressional oversight. Though this bill was tabled after the financial crisis struck, it had broad bipartisan backing: half of the twenty sponsors were Democrats.

In a bid to consolidate its gains among liberal lawmakers and expand access to Treasury-backed loans, the industry has also doubled down on lobbying. The ten companies most likely to benefit from the loan guarantee program poured more than $25 million into lobbying in the first three quarters of 2008. The NEI spent $1.9 million during the same period, 40 percent more than in all of 2007. It has also forged alliances with organized labor, hiring former Teamsters lobbyists and wooing the AFL-CIO. In a speech at the NEI annual conference last May, Mark H. Ayers, the AFL-CIO's president of Building and Construction Trades, spelled out the agreement between the two groups: in exchange for the industry's commitment to use union labor, the union would flex its own muscle to "persuade the new majority in Congress about the need for extending and increasing the loan guarantee program."

There is a reason for the nuclear industry's dogged pursuit of generous guaranteed loans: without them, or a similar public financing scheme, it doesn't have much of a future. Even before the financial meltdown, Wall Street wasn't willing to sink money into new reactors. Squeezing private capital from today's ravaged markets will be nothing short of impossible, which means the only way most utilities will be able to build new nuclear plants is if taxpayers shoulder the risk. On this front, the industry has proven remarkably resourceful. UniStar, a consortium of French and American utilities, was formed for the purpose of building four new reactors in the United States, a venture it expects to cost up to $38 billion. But it doesn't intend to sink any of its own money into construction. Instead, its plan for financing the project hinges entirely on guaranteed loans from the DOE and the French export bank, which is offering financial support to spur investment in French nuclear technology (see "Sub-prime Nuclear Loans," page 35).

Though the financial plans for most reactor projects have yet to become public, it appears that all but a few contenders are banking on similar schemes. Right now the DOE is weighing the first batch of loan guarantee applications, submitted in October. It includes twenty-one reactors, with an estimated total cost of $188 billion. The requested loan guarantee total is $122 billion, a hefty sum considering that the Congressional Budget Office has found the chance of default on guaranteed loans for new reactors is "well above 50 percent." And it will take roughly three times as much new nuclear capacity as those twenty-one reactors will provide just to keep a stable supply of nuclear power over the next few decades, as the aging plants that provide a fifth of our electricity are decommissioned. For nuclear power to make a meaningful contribution to the fight against climate change in the United States, the Keystone report concluded we will need to add 238 gigawatts of new capacity, or at least 140 of the most powerful reactors on the market. The cost, according to Harold A. Feiveson, a senior research policy scientist at Princeton University and a member of the Keystone panel: between $1 trillion and $1.8 trillion (an estimate that assumes capital costs of $4,000 to $7,500 per kilowatt).

The question is whether the new Democratic majority in Congress and the Obama administration will agree to anything approaching such a sweeping expansion of support for nuclear power. On the campaign trail, John McCain tried to gain advantage by painting Obama as a nuclear naysayer. In one particularly memorable instance, the Republican candidate visited the Enrico Fermi nuclear plant near Detroit, where he donned a gleaming white hard hat and toured the reactor building, then held a press conference in front of its cooling towers. "Senator Obama has said that expanding our nuclear power plants doesn't make sense," he argued. "I could not disagree more." Obama was forced to repeatedly reaffirm his support for nuclear power as part of the energy mix. In fact, rhetoric aside, Obama was actually the candidate with the closest ties to the industry; his chief political adviser, David Axelrod, runs a political consulting firm that has lobbied on behalf of Exelon, the nation's largest operator of nuclear plants. Exelon and its employees contributed around $250,000 to Obama's Senate and presidential races, more than to any other candidate. In 2006, it came to light that Exelon had failed to disclose low-level nuclear leaks at an Illinois plant. Initially, Obama introduced a Senate bill that would have required nuclear utilities to notify state authorities

On the campaign trail, John McCain donned a hard hat and toured a Detroit nuclear power plant. Barack Obama declared nuclear power to be an important tool in fighting climate change.

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as soon as leaks were detected. But according to the *New York Times*, he later stripped out the reporting requirements, as requested by Senate Republicans and Exelon lobbyists.

In his climate plan, Obama makes the case for expanding nuclear energy, saying, "It is unlikely that we can meet our aggressive climate goals if we eliminate nuclear power as an option," though he also calls for nailing down secure storage for radioactive materials before new reactors are built. Steven Chu, Obama's secretary of energy, also advocates boosting America's atomic energy supply. Last August, he signed onto "A Sustainable Energy Future: The Essential Role of Nuclear Energy," a DOE manifesto, which argues that "nuclear energy must play a significant and growing role in our nation's—and the world's—energy portfolio" if we are to stave off catastrophic climate change. When asked by the *San Jose Mercury News* in June 2007 whether it was possible to tackle global warming without pursuing the nuclear option, Chu said, "If you start thinking like that, then you doom yourself." This was not a slap at other carbon-free technologies. Unlike most Bush appointees, Chu is a champion of renewable energy. He simply believes we will have to deploy every weapon in our arsenal, including nuclear fission, in our urgent struggle against climate change—a position embraced by a growing majority of politicians and pundits.

The Congressional Budget Office has found the risk of default on government-guaranteed loans for reactors to be "very high—well above 50 percent."

This all-of-the-above approach is smart in theory, but in practice it has two glaring flaws. One is the long, uncertain construction schedule for building new reactors. To avoid the worst effects of global warming—rapidly rising sea levels, rampant famine, severe storms, and widespread drought—we will need to reverse the growth of greenhouse gas emissions by 2015, according to the UN's Intergovernmental Panel on Climate Change. The designs for most of the reactors on the drawing board in the United States won't be certified until 2011 or 2012. Only then can the NRC approve individual licenses—after which the plants still need to be built. Last time around, construction took an average of twelve years.

The other key problem is that, given the enormous expense and the industry's hunger for subsidies, pursuing the nuclear path can crowd out investment in green energy. Over the last decade, federal funding for renewable energy and efficiency research has essentially remained flat, even as concerns about global warming have mushroomed. Support for nuclear power, on the other hand, has soared from zero in the late 1990s to $438 million a year in 2008. The DOE's fiscal year 2009 budget request (which has yet to be approved) includes $630 million for nuclear energy research, a 44 percent increase from the previous year, while the request for renewable energy and efficiency R&D programs has dipped slightly to around $535 million.

Bills to foster renewable energy or rein in carbon emissions also tend to get bogged down in debate over attaching perks for nuclear power. In some cases, this struggle has derailed meaningful climate-change legislation. The bipartisan coalition backing the Lieberman-McCain Climate Stewardship Act—Congress's first serious attempt to cap greenhouses gases—fell apart in 2005 after McCain added $3.7 billion in subsidies for nuclear power. The push for nuclear subsidies was also a key sticking point during last year's floor debate over the Warner-Lieberman carbon cap-and-trade bill.

Elsewhere in the world, there are also signs that nuclear power and renewables aren't as compatible as policymakers tend to believe. In 2000, Germany became the first major industrialized nation to commit to phasing out atomic power. To fill the gap, it has introduced incentives to foster investment in renewables, ushering in a green-energy boom. Despite its damp, cloudy weather, the nation now has more than half the world's solar power generating capacity and is the leading producer of wind energy. All told, roughly 15 percent of German electricity comes from renewable sources, more than any other nation except China, which relies on hydroelectric dams for much of its power. By 2020, Germany aims to increase the share of renewables to 30 percent, roughly the same percentage nuclear supplied at its peak.

On the other end of the spectrum is Finland. Because residents believed the new reactor in Olkiluoto would drastically cut emissions, there was little effort to promote renewable energy or boost efficiency, with the result that the country is now lagging behind its neighbors. Despite its long, windswept coast, Finland has less wind power capacity than any central European state except the tiny, landlocked countries of Luxembourg and Switzerland. It also ranks near the bottom on energy efficiency, and its record on greenhouse gas emissions is dismal: between 1990 and 2006 (the most recent year for which data is available) the nation's carbon output leapt by ten million tons a year, or 13 percent, one of the largest spikes in any developed nation. This means that to meet the European Union goals of cutting greenhouse gas emissions by 20 percent from 1990 levels by 2020, Finland will have to either resort to austerity measures or shell out hundreds of millions more dollars for emissions credits.

"We concentrated so much on nuclear that we lost sight of everything else," says Oras Tynkynnen, a climate policy adviser in the Finnish prime minister's office. "And nuclear has failed to deliver. It has turned out to be a costly gamble for Finland, and for the planet." WM

Mariah Blake is an editor of the *Washington Monthly*. Research support for this article was provided by the Investigative Fund of the Nation Institute.

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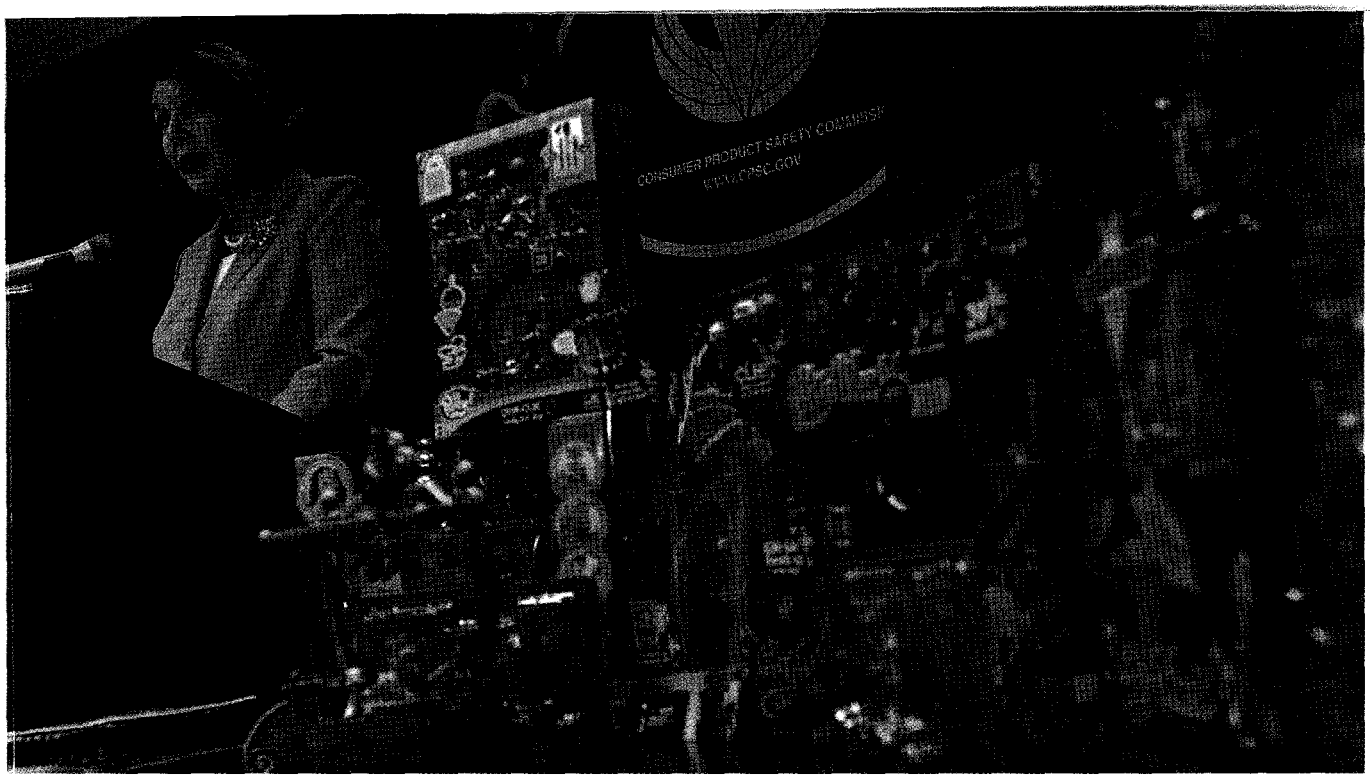

Polly Pocket Veto: U.S. Consumer Safety Commission Acting Chairwoman Nancy Nord announces the recall of millions of toys manufactured by Mattel Inc.

Getty Images

Toy Story

Does the reform of a small agency herald the return of competent government oversight?

By Matthew Blake

In late July, when the presidential race was a dead heat and the country's banks were not yet nationalized, Congress—opposed by just four Republicans—quietly voted for the return of big government.

The Consumer Product Safety Improvement Act passed the House and Senate by the sizable margins of 424 to 1 and 89 to 3, respectively, and was signed into law without ceremony by President Bush two weeks later. The lawmakers were goaded into action by a rash of headlines like "Mattel Recalls Chinese Barbie Toys in Lead Scare," which brought less-than-favorable attention to the federal government's in-house consumer watchdog: the Consumer Product Safety Commission, an oft-neglected agency with an annual budget of less than $80 million, a staff of just 400, and a humble headquarters occupying three floors of a high rise in Bethesda, Maryland.

For most of its thirty-six-year history, the CPSC has been regarded with indifference and occasional outright contempt by political leaders, whose attention to the agency has usually been limited to bashing it when it messes up badly enough to make national headlines. In this respect, the hearings that followed the tainted-toy scandal—in which lawmakers threw toys in the trash and declared that they no longer knew what to get their kids for Christmas—were nothing new. But the Chinese-toy recall had exposed the tiny agency's inability to do its big job: policing more than 15,000 consumer products, from sectional couches to action figures. And with the law it passed in July, Congress actually offered more than tough words—it voted to double the size of the agency and dramatically strengthen its regulatory powers. That response could do more than just rectify a Bush administration embarrassment. It could catapult the dreary and beleaguered work of federal regulators—those loathed bureaucrats—into the age of globalization and the Internet.

The CPSC's origins date back to the late 1960s and, in part, to Ralph Nader. "There was a huge vacuum," Nader says today of the demand for government consumer protection. "It was clear that there was a big gap in household products."

Nader worked with President Lyndon Johnson to create a National Commission on Product Safety, which studied what the *Washington Post* in 1968 called the "new human right" of "the consumer to be protected against reasonable risk of

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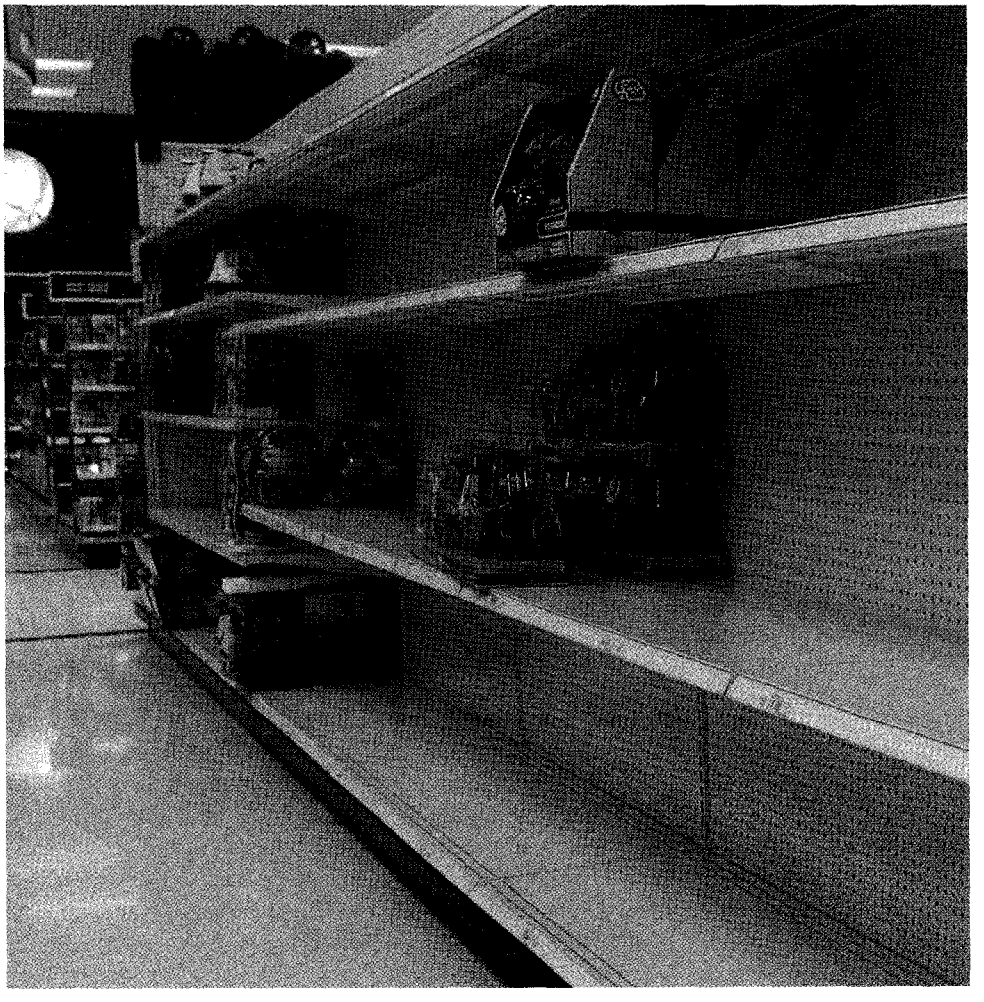
bodily harm from products purchased on the open market for the use of himself and his family." Citing 30,000 annual deaths from everyday products, the panel successfully recommended the creation of a permanent Consumer Product Safety Commission. For the CPSC to work, however, it would require strong leaders with a strategy for policing everything from coffeemakers to lawnmowers. And those leaders would need money. The CPSC started with neither of these things.

The Democratic Senate wanted $180 million for its first CPSC budget in 1973. It got $34 million from a Nixon administration that had already shelled out start-up money for the Environmental Protection Agency and the Occupational Safety and Health Administration. Richard Simpson, the first CPSC chairman, didn't question Nixon's approach, and directed his energy into a series of public relations gimmicks, such as training volunteers as "consumer deputies" who would offer warnings about dangerous products.

The CPSC of the '70s was a study in bureaucratic ineffectiveness. But at least it had resources and, for the most part, well-intentioned political appointees. Then came Ronald Reagan. His administration was skeptical of the agency from the outset; in 1981, Office of Management and Budget Director David Stockman declared that "the public benefits likely to be secured by [the CPSC] are not likely to exceed the costs." By the time Reagan left office, the CPSC had gone from 900 employees to 500. A budget of $42 million in 1981 had shrunk to $34 million eight years later. These numbers increased modestly during the George H. W. Bush administration, then stagnated during Bill Clinton's. Clinton's emphasis on a balanced budget, along with the Republican revolution of 1994, meant that the CPSC either had to make its austerity a point of pride or be abolished.



The CPSC reached its nadir, however, when George W. Bush named Harold Stratton agency chairman in 2002. Stratton, a former New Mexico attorney general, was so rarely around CPSC headquarters that some employees swear they wouldn't have recognized him if he had been sitting in the cubicle next to theirs. "There would be an event where the staff would be assembled for some purpose," says Roy Deppa, a top engineer at the agency from 1976 to 2005, "and Stratton would show up and the staff would say 'Who is that?'" Stratton instead spent his time traveling, making fifty international trips—mostly at the expense of industry lobbying groups—before leaving office in the summer of 2006. Lawmakers and journalists began to explore his dubious tenure after the Democratic takeover of Congress later that year and a series of very public toy recalls. Congressional hearings followed, prompted by the tainted toys and Bush's failure to nominate a viable replacement for Stratton (in 2007 Bush had proposed Michael Baroody, until recently a lobbyist for the National Association of Manufacturers, an industry group that had persuaded Stratton to give companies more leeway in reporting product defects). In the hearings, acting CPSC Chairwoman Nancy Nord quickly established herself as a political appointee akin to former Federal Emergency Management Agency head Michael Brown. Brushing aside the agency's inability to prevent dangerous toys from hitting the shelves, Nord—who shared Stratton's enthusiasm for industry junkets, according to the *Washington Post*—argued that manufacturers, not the CPSC, should

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be entrusted with ensuring toy safety. The agency's top position was never permanently filled.

Leadership is only one of the CPSC's problems. The agency hasn't adapted to the challenges of a global marketplace, challenges far different from those it faced in Ralph Nader's heyday. The CPSC was founded a year before the United States posted its last trade surplus. Now there's a trade deficit of about $731 billion, including $256 billion from China alone. From microwave ovens to toy soldiers, a large and growing proportion of the goods we consume are made in hard-to-monitor workshops and factories far from our shores. Policymakers are not always aware of the implications of this fact. Capitalizing on the toy recall scandal in a campaign stump speech, Barack Obama vowed to eliminate all toys imported from China—only to later acknowledge that would mean banning 80 percent of all toys on the market. Deploying inspectors to follow the labyrinthine overseas production and supply chain is also a nonstarter.

The CPSC has similarly failed to make much use of the Internet to encourage consumer safety and education, offering instead a basically random assortment of reports with large gaps. If you're looking for, say, data on trampoline-related injuries from 1990 to 1999, you're in luck. If you want more current numbers, you'd better get started on a Freedom of Information Act request. A report concerning nail gun injuries up to 2001 is on the site, but when the *Sacramento Bee* filed a FOIA request last year to get more recent statistics, the agency refused, relenting only after the *Bee* threatened legal action. The CPSC, it turned out, was obscuring the kind of trend it should have been warning people about: while 12,000 people went to the hospital emergency room with nail gun injuries in 1995, 42,000 emergency-room visits were reported in 2005.

The biggest issue, however, has always been whether the president and Congress even *want* the CPSC to succeed. With the passage of this summer's legislation, it seems they finally do. The new law offers a realistic approach to oversight, mandating third-party lab testing for all children's products—a reasonable alternative to keeping tabs on the vast network of foreign supply chains or simply handing responsibility over to the companies themselves. Under the act's provisions, CPSC regulators don't need to travel around the world, just to several universities where they can ensure that testing laboratories are looking for lead in children's toys, not getting briefcases of cash from Mattel or Wal-Mart. And if this approach to testing toys works, federal regulators will have a strong argument to expand it to other consumer goods. The CPSC improvement bill also calls for the creation of a consumer complaint database on the CPSC Web site. A functioning database would catalog all product complaints by consumers, health care professionals, and law enforcement. It would also give industry a chance to respond to all complaints.

If the CPSC is serious about protecting consumers, it also needs to reorient its approach to educating the public about product dangers when it does encounter them—something it currently does reluctantly, as if finding problems indicates that the regulatory cop is off his beat. The agency should make a greater commitment to clearly publicizing risks because doing so would show the public, journalists, and lawmakers how critical and difficult their mission is. And why shouldn't the bureaucracy promote its work? Clinton administration CPSC Chairwoman Ann Brown brought fleeting respectability to the agency by talking up product recalls on *Good Morning America*. Imagine the power of that approach applied to the world of RSS feeds, blogs, aggregators, and YouTube videos. Rachel Weintraub, director of product safety for the Consumer Federation of America, suggests a good first step would be a searchable database of hazardous products.

Of course, vigorous product testing and consumer information are not radical ideas. They draw on fundamental principles that date back to the rise of the consumer movement and the birth of the CPSC—and those principles may be enjoying a renaissance. "The bulking up of the CPSC," says Paul Light, professor of public service at New York University, "reflects an acknowledgment by Congress that something is woefully wrong with the execution of the federal government." The public apparently agrees. A 1995 NBC/Wall Street Journal poll found that 70 percent of Americans wanted government to do less. In 2008 that poll found that 53 percent of Americans want a "more active government to solve their problems."

The Consumer Product Safety Commission's failures are evidence of what happens when politicians build their careers bashing the government. Now the agency is poised to become a success story of what happens when they decide to make government work.

There are, of course, still plenty of problems. But Congress's attempt to restore the CPSC suggests that, for the first time in years, it's at least willing to try to solve them. Over the last four decades, the agency has become a cautionary tale of what happens when politicians build their careers bashing the government. It would be a happy twist of fate if, in 2009, the agency became a success story of what can happen when they decide to make government work instead. WM

Matthew Blake is a reporter and blogger for the Web site Understanding Government.

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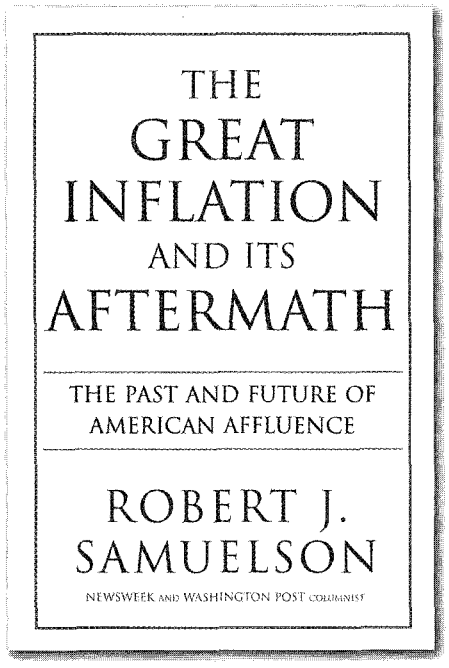
We Are All Keynesians Again

Why Ben Bernanke isn't listening to Robert Samuelson.

By James K. Galbraith



The Great Inflation and Its Aftermath: The Past and Future of American Affluence
by Robert J. Samuelson
Random House, 299 pp.

The heroes of Robert J. Samuelson's *The Great Inflation and Its Aftermath: The Past and Future of American Affluence*, a reflection on the troubles of the 1970s, are Paul Volcker, Federal Reserve chairman from 1979 to 1987, and Ronald Reagan, U.S. president from 1981 to 1989. The goats are the British economist John Maynard Keynes, dead since 1946, and his followers, especially the late John Kenneth Galbraith (1908–2006), the father of this reviewer. Galbraith *père* stands in here for a raft of postwar Keynesians whose names appear in the book only briefly, especially Paul Samuelson (no relation to the author), James Tobin, and Robert Solow—all Nobel Prize winners, and the real architects of the Keynesian consensus of those years.

The American Keynesians knew that unemployment could be conquered by the simple policy of spending, both public and private; for them this was the great lesson of World War II. They also conceded that inflation would have to rise a bit to sustain full employment. Most thought this would be acceptable, a price worth paying, though my father, an inveterate price controller from his war days, did not agree. On the right, and nearly alone in those years, University of Chicago economist Milton Friedman also dissented. Friedman held that the drive for full employment would produce not higher inflation but *hyper* inflation: an acceleration in price increases leading to monetary collapse.

In Robert Samuelson's eyes, the Great Inflation of the 1970s vindicated Friedman. The Keynesians were not just wrong, they were *culpable*, having broken the basic laws of economics. Collapse was on the way. But the country was saved by Volcker and Reagan: the former because he had the courage to act, inflicting great pain, to bring inflation down, and the latter because he supported Volcker just long enough. Once inflation fell, there was a happy ending, summarized in one of Samuelson's chapter headings: "Capitalism Restored ..."

It is true that the Keynesians were in crisis by the time Volcker came in. They had failed to prevent rising inflation in the 1960s, and their concept of a stable trade-off between inflation and unemployment (famously known as the Phillips Curve) collapsed in the 1970s. Their fate in academia would be bleak: today their once-dominant ideas are widely disregarded, and taught, if at all, through the prism of their critics.

And yet, why the inflation happened is not as clear as Samuelson believes. He dismisses the effects of both the Vietnam War and the oil shocks. He hardly discusses the global character of inflation in those years, which alone suggests that something more than the ideas of Cambridge and New Haven dons was involved. We are asked to believe that, compared to the "obsession with full employment," these things were not important. Never mind that war has always been inflationary, that the collapse of Bretton Woods came in 1971, and that OPEC certainly seemed like a pretty big deal in 1974 and 1979.

And if the inflation were due mainly to war or oil prices, then after a certain amount of time, and with some help from incomes policy, it might simply have receded. For Samuelson, this possibility cannot be admitted. Otherwise, there is the awful chance that the supertight money, the high interest rates, and the deep recession of the early 1980s weren't necessary. The renewed application of less drastic measures might have been enough.

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Those of us who opposed the policy in 1981 believed this was so. I was, at the time, executive director of the Joint Economic Committee, where I drafted the Balanced Monetary Policy Act of 1982, which Samuelson describes accurately as an effort to form a left-right coalition against the Fed's policy. And Volcker did back off, in August 1982, when the recession seemed bottomless and the Mexican default threatened to bring down the U.S. banking system. Whether our threat—essentially to start dictating interest rate policy from Capitol Hill—was a factor is hard to tell. But the Fed's congressional liaison did call me, at one point, to ask what it was we really wanted. I told him that if interest rates started to fall, our threat to the central bank's independence would probably go away.

After 1982 Keynesianism in academia was done for, but in the policy world it was not. Policymakers are practical. They recognize that voters dislike unemployment and that recessions are unpopular. The political instinct remains to react to recessions with a "stimulus package." Under Republican presidents, at least until this year, this policy was usually called "supply-side economics"—Reagan was a great practitioner of it, as was George W. Bush in 2001–04. This is short-term Keynesianism in disguise, always accompanied by professions of budget piety and promises that "fiscal responsibility" will return as soon as normal conditions are restored. But it is Keynesianism nonetheless. It is government intervention to support total spending, and especially the use of public spending power, in the military or elsewhere, to bring the economy out of a ditch. Samuelson turns a blind eye to the actual conduct of policy after 1982, writing as though the ideal rather than the practical had prevailed. He argues that stimulus produces inflation rather than growth—despite the fact that even under Reagan and Bush II it did not.

But then, in Samuelson's view recessions are inevitable. Trying to fix them is futile. Left alone, the economy always recovers; the cost of waiting is small; the job of the Federal Reserve is to stop inflation; the job of the rest of the government, at least in the macroeconomic domain, is to do practically nothing at all. "Just because something isn't perfect," he writes, "doesn't mean it can be improved." (Given these views, expect him to start in January, if not sooner, demanding that Ben Bernanke quash the forthcoming Obama expansion program with high interest rates.)

Samuelson favors the notion that unemployment should never be allowed to drop below its "natural rate"—estimated for much of the 1980s at between 6 and 7 percent—lest inflation get out of control. That precise numerical proposition was singularly open to be tested against fact. And in the late 1990s, thanks to Alan Greenspan's tolerance for bubbles, it *was* tested: joblessness fell to under 4 percent for three years. No rise in inflation happened. This good fortune can't be explained by the Phillips Curve. But it also cannot be explained by the natural rate theory Samuelson favors. This raises the possibility that both sides of that argument were mistaken. Maybe full employment by itself doesn't produce inflation after all. Back in the 1960s, only a tiny handful of economists (including the first Council of Economic Advisers chair Leon Keyserling, Robert Eisner, Nicholas Kaldor in Britain, and my father) would have admitted to holding that view. But they were right.

Similarly, if the conquest of inflation in the 1980s meant "Capitalism Restored," how did the great bust happen? Samuelson is aware of bubbles, and mentions them here and there. But on the whole he treats them as a minor matter. He favors private debt, and celebrates the rise in homeownership to 68 percent of the population even while conceding that perhaps the sub-prime mortgage markets "went too far." When it comes to discussing current policy problems, his head is stuffed with the alleged budget dangers posed by Social Security (more or less that keeping our promises to the elderly will drive up long-term interest rates), with the "risk" that universal health care might someday be enacted, and with hypothetical consequences of backlash against globalization. He even frets that we might get serious about climate change, making terrible mistakes that would undermine our economy today in the pursuit of survival for people elsewhere a century hence (imagine that). He is caught for the most part unaware, flatfooted and with his pants down, by the great financial crisis of 2007–08 and counting.

A useful theory must account for the problems of the world. Samuelson's theory, his worldview in a nutshell, holds that a rigorous anti-inflation monetary policy is sufficient for good economic performance. While occasional recessions may be inevitable, he believes that the credit markets do not cause them: they are naturally stable so long as policymakers don't make inflationary mistakes. And this is not his theory alone. It is the mainstream position of the entire academic economics profession right now. (Indeed, *The Great Inflation and Its Aftermath* is a very good, plainly written account of what a great many reputable people believe.)

With a "credible" anti-inflation policy in place, even though the exact content of that policy may not be clear, Samuelson and his fellow travelers believe that free markets will do the rest. Regulation, in particular of credit, is a burden, something to be minimized. "Market discipline" is sufficient to keep fraud, abuse, and mayhem under control. Along with many others, Samuelson cites the wonderful quarter century, roughly from 1981 through 2006, as the final and absolute proof of this wisdom.

Oops.

Referring again to the great inflation, the penultimate chapter concludes in part with these words:

> *[I]t was a self-inflicted wound: something we did to ourselves with the best of intentions and on the most impeccable advice. Its intellectual godfathers were without exception men of exceptional intelligence. They were credentialed by some of the nation's outstanding universities ... But their high intellectual standing did not make their ideas any less impractical or destructive.*

As a general proposition about economic events and academic ideas, these words carry the awful ring of truth. But they should be uttered with extreme caution. Passages such as this have an unpleasant tendency, at moments like the present, to come back around, and bite their author on the ass. WM

James K. Galbraith is the author of *The Predator State: How Conservatives Abandoned the Free Market and Why Liberals Should Too* (Free Press). He teaches at the Lyndon B. Johnson School of Public Affairs, University of Texas at Austin, and is a senior scholar of the Levy Economics Institute.

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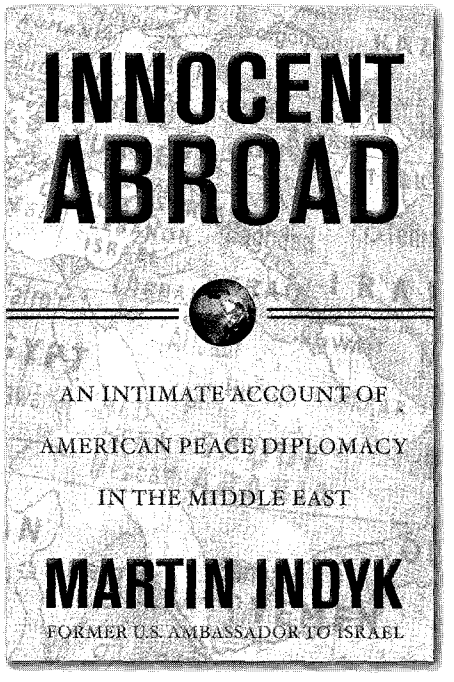
Our Man in Tel Aviv



Innocent Abroad: An Intimate Account of American Peace Diplomacy in the Middle East
by Martin Indyk
Simon & Schuster, 512 pp.

What will be Hillary Clinton's strategy for Middle East peace? The memoir of her husband's ambassador to Israel may provide hints.

By Daniel Levy

Just the thought of another book about Middle East policy under President Bill Clinton might make the most stout-hearted reader quake; but he or she would be well advised to consider *Innocent Abroad: An Intimate Account of American Peace Diplomacy in the Middle East*, by Martin Indyk. Indyk, who was (twice) U.S. ambassador to Israel, and now directs the Saban Center of Middle East Policy at the Brookings Institution, has managed to write a new, very readable chronicle of Mideast policy during the Clinton years. Rather than focusing narrowly on the Oslo Accords, Camp David, and all things Israeli-Palestinian, Indyk methodically works us through the broader Israeli-Arab peace process, Iran, and Iraq as they feed off one another in a regional context. It is precisely those policy linkages that will have to be redrawn by the new Obama administration, and that theme is clearly uppermost in Indyk's mind.

The timing of the publication of *Innocent Abroad* is fortuitous. Indyk, who was responsible for Near Eastern affairs at both the State Department and the National Security Council during the Clinton administration, is particularly well positioned to advise a new Democratic president gearing up to tackle a Middle East in devastating disarray, especially given the recent events in Gaza; and he is doing so with a Clinton at his side at Foggy Bottom. All good reasons for a little recap of how the last Democratic president approached the region. (It's also worth noting that Indyk has remained close to the Clintons and advised the New York senator during her presidential bid.)

The book at times has a disjointed feel—it was apparently edited down from a much larger manuscript—giving the impression that linking material is sometimes missing. As a narrative, *Innocent Abroad* has something for everyone—hawks, realists, neoconservatives, and peaceniks alike—and there are plenty of "gotcha" moments, but they are sufficiently varied as to provide sustenance to both right and left. That can be frustrating. Indyk's conclusions, however, are less polygamous: American efforts to resolve the Arab-Israeli conflict are central to re-stabilizing the region, and America should discard the policy of regime change as it engages with both Syria and Iran.

The book reminds us of the series of peace breakthroughs in the 1990s—the various Oslo agreements, for instance, under Israeli Labor and Likud leaders: Gaza-Jericho, Oslo B, Hebron, and Wye River. In addition, there was the Israeli-Jordanian peace treaty, and real progress in defining the parameters for a possible comprehensive deal between Israel and Syria, alongside the largely effective dual containment of Iran and Iraq (a policy framing of Indyk's own invention). Indyk also points to the shortcomings of the Clinton era and to the weighty, unfinished business on the Obama menu. While he is often scathing about Bush's Middle East policy, Indyk notes the not insignificant ways—from the extension of the no-fly zones over Iraq to the support of an official policy of regime change—in which the Clinton administration helped to seed the ground for the disaster that followed.

If President Obama is to pursue a policy of "I want to end the mindset that got us into war in the first place," then he will also have to jettison some of that mindset's inheritance from the Clinton years. Doing that with a Clinton as his most senior diplomat is not unrealistic, particularly if the evolution in Indyk's thinking is at all indicative of Hillary's

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approach. And, as Indyk reminds us, the United States limits both its options and its influence when it is talking to fewer actors in the region.

Indyk's recounting of Israel and Syria's attempts at a rapprochement makes for some compelling reading. The not inconsiderable (although not exclusive) blame Indyk assigns to then Israeli Prime Minister Ehud Barak for the failure of those talks has already caused a stir in Israel, where the Hebrew version of *Innocent Abroad* was released last summer. His blow-by-blow account of the Israeli-Syrian process, in particular from 1999 to 2000, of the summit at Shepherdstown, and of Clinton's fury at Barak for "gaming" him, is riveting. (Barak had insisted on a summit with the Syrians and then backtracked on his own proposals. When he again called on Clinton to host a parley with the Palestinians at Camp David, the U.S. dutifully played host. This time around, as Indyk tells it, Barak informed him on the flight to Andrews Air Force base that "he had not had time to prepare for the meeting." This in spite of the fact that "he alone had insisted upon" the confab.) The ultimate demise of these efforts came on March 26, 2000, in Geneva, when an exhausted American president (on his way back from Asia) met an ailing Syrian leader, Hafez al-Assad, who passed away just two months later.

Still, it is the section on the Syria track where *Innocent Abroad* is groundbreaking. Indyk shares largely new material on the details of talks between Syria's Riad Daoudi and Israel's General Uri Saguy as they negotiate the thorny issues of demarcating a future Israeli-Syrian border and redelineating the 1967 boundaries between the two states.

As a new administration takes office, there is some debate as to whether the United States should give priority to peace talks between Israel and the Syrians or Israel and the Palestinians. Indyk suggests that resolving the Palestinian conflict is the priority (and I agree with him on this), but that the U.S. should also reengage bilaterally with Syria and support the ongoing Israeli-Syrian talks currently being mediated by Turkey. He persuasively explains the effect that progress with Syria would have both in reducing Iran's regional leverage and in facilitating progress toward an Israeli-Palestinian deal—by, for instance, causing Hamas to recalibrate its regional options and probably soften its negotiating stance. In doing so, Indyk rejects the "Syria first" line sometimes promoted in Washington.

I agree with Indyk's logic, but with one caveat: Indyk seconds the conventional wisdom that Israel cannot pursue deals on the Syrian and Palestinian tracks simultaneously, but I believe this thinking may well be outdated. In fact, only a comprehensive deal may now make sense, one that both closes bilateral peace deals between Israel and its neighbors and articulates a regional peace based on the Arab League/Saudi peace initiative of 2002, whereby Israel would have normal and secure relations with all of the Arab world.

While the best of *Innocent Abroad* is in Indyk's prescriptions for a future Middle East policy, there are some charming stories he tells of his tenure in the diplomatic service. There is, for instance, the special handshaking technique developed by U.S. diplomats to ensure that the "no-kissing rule" was adhered to when greeting PLO Chairman Yasser Arafat. Or the sometimes extreme lengths that Secretary of State Warren Christopher would go to in order to avoid overnighting in Arab capitals because of his delicate stomach.

In his concluding chapter, Indyk wisely reprises the Clinton Parameters, presented by the departing president in December 2000, offering the only official American guidelines ever written for resolving the Israeli-Palestinian conflict. The document clearly outlines what a Mideast peace deal might look like and the role America would need to play in making that happen. Indyk suggests a few tweaks to the Clinton Parameters (which he had a hand in preparing), notably when he suggests that a special international regime be created in the Holy Basin–Old City area of Jerusalem. Some of the recommendations (such as engaging in peace efforts early in a new administration, and not waiting, as Bush did, until year eight) would be on most people's checklist. Others are more innovative in the Washington context: Indyk supports a more active role for the Arab states. To build Palestinian national reconciliation he would like to see the deployment of multinational forces to help facilitate the creation of a Palestinian state (without replacing one occupying power with another), and have international support for Arab efforts to co-opt rather than confront Hamas. (I would be in favor of all of these, including the last, although unlike Indyk I would suggest that no single Arab state play an exclusive role in mediating internal Palestinian dialogue.)

Martin Indyk is candid and self-critical enough to acknowledge that the peace team sometimes had "tin ears" when it came to understanding the true intentions of Israel's leaders and were "poorly informed" on intra-Palestinian politics. Unfortunately, his book occasionally lapses into its own tin-eared moments. When there are dismissive references to the Palestinian "sense of entitlement" to all the territories occupied in 1967 or to a "perception of increased settlement activity" during the 1990s (the settler population did increase, by more than 100,000), the credibility of the book is harmed, as it is when the Israeli-Jordanian peace and King Hussein's outreach to the Israeli public is described as a model for securing future Israeli concessions. What concessions? Israel essentially withdrew from no land and

Martin Indyk is candid and self-critical enough to acknowledge that the peace team sometimes had tin ears when it came to understanding the true intentions of Israel's leaders and were poorly informed on intra-Palestinian politics.

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gave up no settlements in making peace with Jordan.

These nuances may be trivial, but they can skew the U.S.-Israel relationship or U.S. policy in a way that is utterly unhelpful to both U.S. and Israeli interests. *Innocent Abroad* is full of anecdotes (some with explicit lessons, some implied, others perhaps unintentional) that, taken together, produce an inescapable policy prescription: that the management of the U.S.-Israel relationship needs to be recalibrated, for everyone's benefit. We are told that on many occasions the Clinton administration "took an Israeli idea and turned it into an American proposal." The result of this was that the very deals from which Israel, the United States, and others would have so greatly benefited were made more difficult to achieve. America's diplomats are frequently depicted as dancing to a tune spun out in Jerusalem. And the outcome is rarely pretty, for either the U.S. or Israel. (It is notable that American presidents have a slightly better track record when it comes to handling recalcitrant leaders of the right—no small thing, given the prospects that Benjamin Netanyahu will return to the Israeli premiership after February's election.)

To suggest that the United States play the role of honest broker in the Middle East is almost seen as taboo in American political discourse, yet a reasonable reading of this book's narration of the Clinton years suggests that only by taking a more balanced approach (note: *more* balanced, not *totally* balanced) can the U.S. be an effective broker. Part of that will depend on the team assembled to handle these matters under Obama. As Indyk reminds us, Clinton's peace team was described in the Arab media as "the five rabbis," and a bit of diversity would certainly not be a bad thing. But that diversity is as much about openness to different approaches as it is about backgrounds. For example, take Robert Malley or Daniel Kurtzer, both "rabbis" according to the above definition, and who both served under Clinton in different capacities and have spent the last eight years challenging parts of the conventional thinking and talking to a more inclusive array of regional actors. While that might make them controversial picks, it also makes such voices indispensable around the U.S. policymaking table. Including Malley and/or Kurtzer in the Obama administration would send a signal that some of the lessons contained in *Innocent Abroad* have been internalized.

When Bill Met Ehud: Martin Indyk, ambassador to Israel under Bill Clinton (shown here with Israeli Prime Minister Ehud Barak during Mideast peace negotiations in 2000), argues that the Obama administration must fundamentally rethink its approach to the Israeli-Palestinian conflict.

Getty Images

New thinking is also required in Congress. When discussing Iran policy, Indyk describes how "our own zealots on Capitol Hill" managed to split the United States from its European allies by passing the Iran and Libya Sanctions Act in 1996, thereby undermining Clinton administration efforts to maintain a united front in containing Iran. The knee-jerk congressional habit of running to the right of the executive (any executive—Congress even outflanked Bush from the right in opposing Palestinian aid, for instance) needs to be redressed.

Indyk is very critical of the Bush policy on Iran, of subcontracting the negotiations to the Europeans and placing preconditions on direct U.S.-Iranian talks, favoring engagement across the range of bilateral issues. The point that he constantly returns to in discussing the Iran file, both in the past and in the future, is the need for a credible American initiative to resolve the Arab-Israeli conflict as a vital component in reducing Iran's regional influence and leverage. A book that is organized around the tapestry of interacting issues in the Middle East, in which "everything is connected here," inevitably ends up advocating for a more thoughtful connecting of the dots in regional policy, and the central dot is the unresolved Israeli-Palestinian conflict.

I would read Indyk as an antidote to the naysayers who insist that "[t]he time for peace isn't ripe, Israelis and Palestinians are in disarray, little can be done." It is not enough to say that one needs to effectively address Israel-Palestine; one must also chart a course of how to do it: ripeness can be created, the regional strategic context can be reshaped, and many of the ingredients are contained in *Innocent Abroad*. I might add some, and blend them slightly differently, but Indyk gives us a good baseline recipe with which to start experimenting. WM

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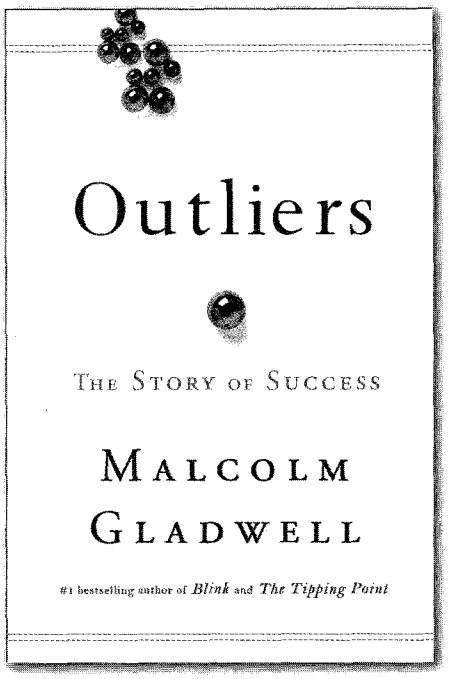
Good Fortune

Malcolm Gladwell rethinks the secret to success.

By David Wallace-Wells



Outliers: The Story of Success
by Malcolm Gladwell
Little, Brown and Company, 310 pp.

Before he became the peculiar boss of the Manhattan Project, the physicist Robert Oppenheimer was a peculiar young man. On a train to meet his parents while studying at Cambridge, he abruptly kissed a strange woman, then fell to his knees to apologize, and then, at the station, attempted to drop his suitcase on her. He trapped his mother in a locked hotel room; he tried to strangle a close friend with a trunk strap. A psychoanalyst made a diagnosis we would now call schizophrenia; other doctors backed away, intimidated by Oppenheimer's intellect, an effect common with sociopaths. His life in Cambridge was a "miserable hole," Oppenheimer later recalled, and to comfort himself he'd "get down on the floor and roll from side to side." He tried to kill his faculty adviser with a poisoned apple.

How did this man get that job? Oppenheimer was only thirty-eight when he was hired to run Los Alamos and lead what was probably the most ambitious engineering project, and certainly the most closely guarded government program, in American history to date. He was an inexperienced theoretician in a contentious community of hardheaded experimentalists, surly, withdrawn, and inexperienced as a manager, a Communist fellow traveler with a history of mental illness. Who would put the fate of the earth in his hands? And what could compel them to do it?

The answer, journalist Malcolm Gladwell writes in his assertive *Outliers: The Story of Success*, a whistle-stop tour of opportunity and achievement, was culture—and not midcentury American culture, starched with meritocratic values and solicitous of talent of any temperament, but the exclusive and cosmopolitan culture of Oppenheimer's New York boyhood.

Raised among the wealthy and educated with the brightest and most cultivated of their children, Oppenheimer knew his physics, but he also knew his classics, knew his Proust, his Tolstoy, and his Dostoevsky, knew about architecture and enjoyed horseback riding, knew the tiny islands of the Mediterranean and what it was like to ride through Europe in a Packard driven by a family chauffeur. More important, Gladwell writes, he knew his way around the corridors of power, and he knew what to say to the people one met there. He was a charmer; he could schmooze. Oppenheimer was raised in rarefied quarters and was welcomed into them again as an adult, Gladwell says, largely because he seemed to those who encountered him like a natural aristocrat. He succeeded, that is, not only because the American meritocracy worked, but also because it didn't.

That term, "meritocracy," was coined as a scare word, by a liberal British sociologist, Michael Young, writing in the 1950s. Young was worried that a regime of assessment by bureaucracy would harden, rather than soften, class divisions, and that testing for "merit" would quickly come to mask, rather than salve, social inequalities. The term was meant to strike an Orwellian note of caution about the regimented, managerial culture of the postwar years, but it has a far less ambiguous place in the contemporary world, which celebrates ambition even when it careens into entitlement, and it certainly doesn't scare Malcolm Gladwell.

Success delights Gladwell, and fascinates him. *Outliers* is his third book, and it is certain to be his third best seller; it is his third to inquire into the parameters of

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achievement, and his third to make personal accomplishment a question for the social sciences. In each of his books, and in nearly all of his *New Yorker* essays, Gladwell deliberates on matters of public policy by showcasing research in social psychology and behavioral economics on a stage of personal anecdote. This approach, though engaging, has its frustrations—anecdotes don't contain social science any more than social science can be said to operate at the level of individual biography—and there is often a logic of wishful thinking at work in even Gladwell's sharpest analysis, a desire to see half-tested theories validated by his own well-told stories.

Gladwell is a pop philosopher for the Obama era, all cool-headed geek pragmatism and collective responsibility. Forty-five, half black, and raised abroad, Gladwell has probably done more than anyone else of his generation to repopularize the ideal of America as a can-do technocratic Utopia.

In *Outliers*, he's picked a story well told—too well told, in fact—and sets out instead to unravel it. The book is designed to deconstruct the myth of the self-made man, a myth his first two books only helped perpetuate, and to suggest that achievement has a whole lot less to do with innate ability than with where you came from, when you came, and what opportunities were presented to you when you did.

Take the Beatles. It seems remarkable indeed that two talents like John Lennon and Paul McCartney, usually described as something like once-in-a-generation talents, were born less than two years apart in a provincial industrial town in the north of England. But Gladwell asks us to see things a bit differently: the anomaly in the story of the Beatles isn't wartime Liverpool, he says, but Hamburg, where the boys, precocious talents but barely out of high school, hired on as the house band for a string of strip clubs, gigs that required them to play as much as eight hours a day seven days a week.

By the time of their major breakthrough, Gladwell estimates the Beatles had performed together 1,200 times. They had to learn as many covers as they could, in as many genres as they could discover, just to keep from getting bored, and they had to find new ways to play the old stuff to keep the audience from getting bored with them. The Beatles didn't become the Beatles because one day Paul McCartney picked up a guitar and wrote "Eleanor Rigby"; they became the Beatles because somebody pushed them out on stage, night after night, and told them to play until their fingers bled.

Not everyone is blessed with such opportunities (and many that do, of course, lack the necessary work ethic). Gladwell opens *Outliers* with a survey of the rosters of several Canadian youth hockey teams, which, because January 1 is the common age cutoff, typically feature as many as four times more players born in the first months of the year than the last three. The developmental difference between an Aquarius sixteen-year-old and a Scorpio might not be such a big deal, but at six, when kids are first shuffled into high-profile, high-potential and low-profile, low-potential teams, the gap is more extreme. The players coaches pick are rewarded with more and better training, and the players they don't lose, right then, most of their chance to make a mark in the sport. Gladwell is a Canadian native and a hockey enthusiast, and in *Outliers* he mourns not just the small tragedy of the broken-hearted kid but the lost potential of all the left-wingers born after Canada Day, whose talent the poorly designed system is bound to overlook.

In far less trivial matters, too, we discard talent and frustrate ability, and in the book's most ambitious chapters Gladwell trains his eye on patterns of achievement in education. American public schools actually do a fairly good job of instructing poor and middle-income students, Gladwell writes, working from data supplied by sociologist Karl Alexander, and manage to cut into the richer students' initial advantage over the course of the school year. But when school lets out every summer, children of the well-off return to home environments that celebrate thinking and self-improvement. These kids may go to summer camp, may take art or computer classes, or might sit around all day reading books off their parents' shelves, Gladwell says; the poor don't have nearly the opportunities for self-advancement when they're out of school, and by the time they start up again in September, they've lost most or all of the relative gains of the previous year. Gladwell endorses instead the Asian model, which has much less vacation time. (He traces the history of vacations in Western schools to the rhythms of European agriculture, which left fields fallow, in cycles, to replenish; the vaunted Asian work ethic is not the product of bourgeois industriousness, he says, but agricultural demands of a rice paddy economy, which requires strenuous year-round cultivation.) "Schools work," Gladwell writes. "The only problem with school," he says, "is that there isn't enough of it."

This is Gladwell's most assertive work, and it is also his most serious; others have pointed out that the book is his most political, and it is also his most liberal. Yet what he offers—eliminating summer vacation, establishing youth

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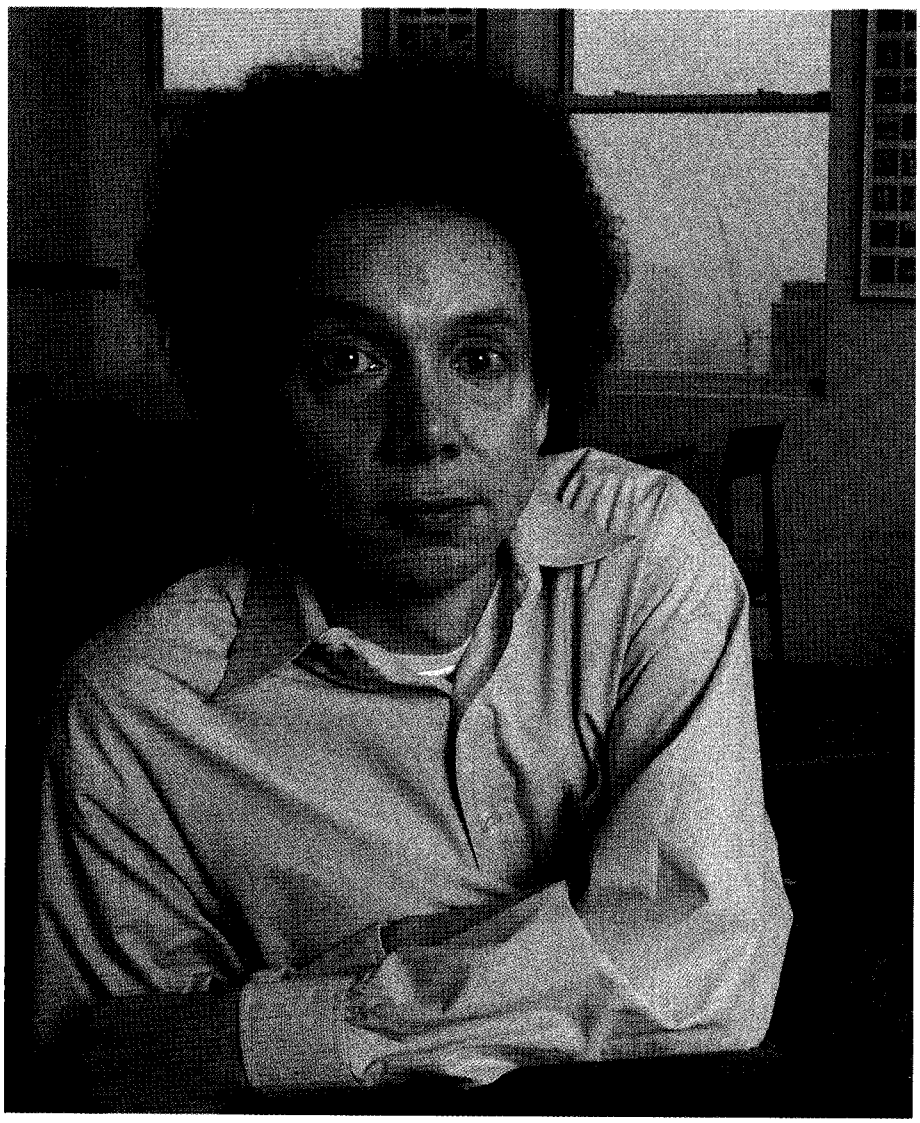
hockey leagues with staggered age-cutoff dates—aren't plausible policy prescriptions but tributes to a particular kind of problem-solving thinking. Here, as in all of his writing, Gladwell plays the social science naïf, a wide-eyed reporter, ever eager to praise new findings and to share with the reader his excitement about them. That boyish enthusiasm is evasive, in that it points always to the works of others, and it can be irresponsible, scaling up insights for dramatic effect, but it isn't disingenuous. He doesn't want to claim credit for new ideas, but to share them—and not just because they're interesting, but because he thinks they just might help us solve some pressing problems.

Gladwell may have made his name during the Clinton years and his millions under George W. Bush, when a culture of entrepreneurship and individual achievement reigned, but he is a pop philosopher for the Obama era, all cool-headed geek pragmatism and collective responsibility. Forty-five, half black, and raised abroad, Gladwell has probably done more than anyone else of his generation, of which the president-elect is an indelible part, to repopularize the ideal of America as a can-do technocratic Utopia, and of our meritocracy as a great zipless sort, in which inefficiencies can be smoothed, "natural" limits surpassed, and the haunts of history vanquished, not by ideology and not by values, but by algorithms, regressions, and data—heaps and heaps of data.

The Beatles didn't become the Beatles because one day Paul McCartney picked up a guitar and wrote "Eleanor Rigby"; they became the Beatles because somebody pushed them out on stage, night after night, and told them to play until their fingers bled.

Malcolm Gladwell



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And yet, even as social science enjoys its day in the Washington sunshine, it seems certain to fall out of fashion elsewhere. Faith in data and our ability to properly make use of it has been shaken by the recent banking crisis, and the inability of number crunchers to adequately forecast or forestall it. The most celebrated research in the social sciences has come lately from behavioral economics, an entire field dedicated to showing us how irrational we are, how unpredictable our behavior, how inadequate our predictive models, and how incomplete our understanding. Most important, social science has, finally, a genuine rival, and one with a magical hold on the public imagination, in brain science. Even book publishers are catching on. In January, the wunderkind neuroscientist Jonah Lehrer will publish *How We Decide*, his own version of *Blink*, and already the semi-sociological conservative David Brooks is at work on his own *Outliers*, a survey of the neuroscience of success. It may just be a tipping point. WM

David Wallace-Wells is an editor at the *Paris Review*.

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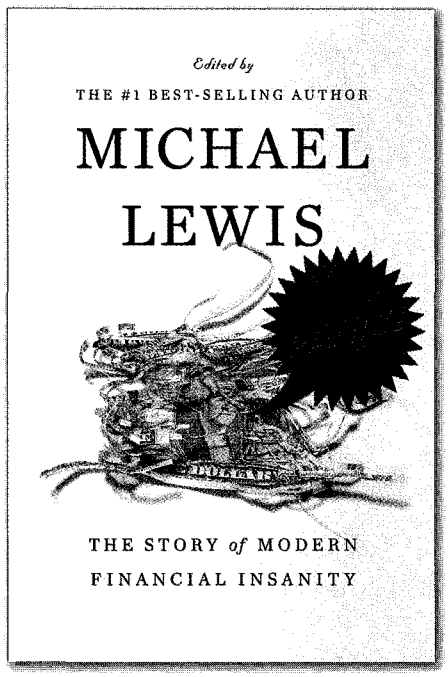
Lost in Their Bloomberg Terminals



Panic: The Story of Modern Financial Insanity
edited by Michael Lewis
W. W. Norton, 352 pp.

The Wall Street wizards who brought on catastrophe by pretending to eliminate risk.

By Brendan I. Koerner

For those of us who enjoy watching twenty-two behemoths maul each other on autumn weekends, no figure of speech beats a good football simile. So helmets off to Michael Lewis for coming up with a classic in his 1999 *New York Times Magazine* account of the collapse of Long-Term Capital Management, a tale now anthologized in *Panic: The Story of Modern Financial Insanity*. A hedge fund that specialized in fixed-income arbitrage, LTCM was run by ex-academics who were widely considered too brilliant to lose money, let alone preside over one of history's greatest financial disasters. Lewis had worked with several of these LTCM eggheads during his days on Salomon Brothers' bond desk, and he recalls the humbling experience of asking them to elucidate one of their arcane trades. Minutes after receiving a step-by-step explanation, Lewis realized that he had barely understood a word.

"My brain," he writes, "felt like a beaten cornerback watching the receiver dancing into the end zone."

The simile perfectly captures what it feels like to be hopelessly outsmarted. Yet raw intelligence, like raw athletic prowess, is no guarantee of success, especially when it's tempered by hubris. According to Lewis, the "young professors" of LTCM goofed by underestimating the probability of a supposedly 1-in-50-million event—a sudden, unprecedented divergence in the prices of bonds they'd shorted versus bonds on which they'd gone long. When Russia defaulted on its debt on August 17, 1998, that "black swan" became a reality; four days later, LTCM lost $550 million in a single trading session.

The Federal Reserve rushed to arrange a $3.625 billion bailout for the floundering company—peanuts compared to the current round of government largesse, but a whopper at the time. Lessons were supposedly learned about the perils of mathematical trading strategies, and Wall Street's mandarins vowed to avoid the temptations of excessive risk.

Yet here we are a decade later, struggling to overcome a much graver calamity caused by similar blunders. As Lewis, *Panic*'s editor, writes in his sharp introduction, such crises have become the norm because, like LTCM's young professors, we've developed an unhealthy faith in the system's inherent stability. Lewis thinks this is because we put too much stock in the genius of statistical wizards, who have a disturbing tendency to discount the likelihood of destructive events.

"Events that are meant to occur once in a millennium now seem to occur every few years," Lewis writes. "Could this be because the financial system was built on an idea that badly underestimates the risk of catastrophes—and so conspires with human nature to create them?" *Panic*, an eclectic collection of fifty-five articles, book excerpts, and oral histories, attempts to answer that question by examining four big crises of recent vintage: the stock market crash of 1987; the Asian and Russian crises of 1997–98; the dot-com flameout; and the ongoing credit crunch. Like most scattershot anthologies, a fair chunk of *Panic* is tedious and skippable. But entertaining gems abound, especially those written by Lewis himself.

Panic is broken down into four sections, one per crisis. Lewis cleverly begins each section with a selection describing the irrational exuberance that typically precedes hard times. A

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Time piece from the summer of 1987, for example, merrily tracks several do-it-yourself investors making a killing off the bull market, often by leveraging themselves to the hilt. (One of the interviewees reveals that his foolproof strategy is to invest only in companies whose products he enjoys, a policy that led him to go long on a manufacturer of microwave popcorn.) Nearly ten years later, the *New York Times* sings the praises of emerging markets, letting fund managers pop off about the solid returns available to investors willing to chance Thailand on the eve of the baht's disastrous devaluation.

These vignettes are followed by stories from the thick of the ensuing havoc, as contemporary commentators stumble around looking for answers. In the case of 1987, *Panic* never makes clear what caused the Dow to crash on Black Monday; conflicting pieces both indict and clear computer trading, and an excerpt from the Brady Commission report reads like a snack-cake ingredients list. The section's main takeaway is that regardless of what caused the Dow to start plummeting in the first place, the crisis was exacerbated by simple distrust between financial institutions—the big reason that global credit markets gummed up last fall, too. "Nobody would pay anybody if they suspected somebody wouldn't pay them," notes Leo Melamed, then head of the Chicago Mercantile Exchange. "So fear was the gridlock."

The section on the Asian and Russian crises is much more illuminating, particularly a *Fortune* analysis penned by Paul Krugman, who convincingly pins much of the blame on corruption and bloat. (Dispiritingly, he also frets over the fact that Asia's economies were highly leveraged, which he defines as debt exceeding equity by four or five times. By contrast, Lehman Brothers' leverage ratio was more than 30 to 1 before its immolation.) The other two highlights of the section are both Lewis's handiwork: the LTCM postmortem, which includes a wonderfully lucid explanation of the fund's arbitrage strategy; and a brief *Bloomberg News* dispatch in which he lampoons the idea that the market gives a whit about the pronouncements of politicians. Traders, Lewis states,

> *have no interest in what Bill Clinton or Boris Yeltsin say about the Russian ruble, or many other financial matters. On finance, they prefer to hear from George Soros. Think of it! If the President of the United States wished to manipulate the world's financial mood, he could do it more effectively by calling Soros and asking him to say a few words. This is the world we live in.*

This is one of *Panic*'s most sobering thoughts, not because Soros's wisdom shouldn't be respected—as clearly it should—but because it hints at the financial industry's increasing disconnect from the tangible world. Lewis is disturbed by the retreat of traders into the realms of their Bloomberg terminals, an existence that skews their perception of risk. They become enamored of allegedly foolproof strategies for dispersing risk, yet can't foresee the obvious pitfalls because of their immersion in the esoterica of derivatives. And thus the average investor wakes up one morning to learn of the existence of a multitrillion-dollar market in something called credit default swaps, which absolutely no one claims to understand fully.

Despite building some nice momentum throughout its Asian-Russian section, *Panic* loses steam as it delves into dot-com excess. This is partly because that crisis seems so mild in retrospect. I don't recall too many earnest newspaper accounts of former "paper millionaires" being dragged from their foreclosed homes. On top of that, the bubble was pretty straightforward—folks got overly excited about companies whose worth couldn't be accurately gauged, seeing as how they'd never made a thin dime. That's a lot easier to grasp than the rampant currency speculation that forced Thailand to devalue the baht, or how LTCM's arbitrage strategy was exposed by Russia's debt default. As a result, *Panic*'s dot-com section works only as a hit of nostalgia, rather than shedding any new light on the financial system's foibles.

Lewis bravely tackles the credit crunch in the book's final section, and does an admirable job given that we're still sorting through the wreckage (and, perhaps, preparing for more debris to be added to the pile). He gets creative by including a Dave Barry satire of house flipping and a blog post about a California family that managed to buy a $1.2 million mansion for $270 down, as well as more prosaic *Wall Street Journal* and *BusinessWeek* articles about the perils of sub-prime mortgages.

The section's standout, however, is Roger Lowenstein's 2008 *New York Times* exposé on Moody's, the bond-rating service that stamped many high-risk mortgage securities with its vaunted "triple A" rank. Lewis's thesis about risk dovetails perfectly with the well-reported, well-written evidence that follows. Moody's was the backbone of the mortgage economy, assuring investors worldwide that the securities they were buying were extremely unlikely to morph into junk. Lowenstein senses more than a whiff of impropriety in Moody's miscalculations, noting that the agency reaped massive financial rewards by playing the Pollyanna. But there also seems to have been simple hubris at work—a belief that, if structured correctly, mortgage-backed securities could survive a wave of defaults on their subprime elements. Ooops.

Once some small measure of prosperity returns, so, too, will the self-styled magicians who claim they can make risk disappear. And we will get fooled again.

Panic could have used a few more contributions like Lowenstein's, as well as an extra dose of Lewis's witty, cogent musings on the consequences of traders' vanity. But given the accelerated pace of the boom-and-bust cycle, perhaps Lewis will get to compile a sequel in the not-too-distant future. Because once some small measure of prosperity returns, so, too, will the self-styled magicians who claim they can make risk disappear. And we will get fooled again. WM

Brendan I. Koerner is a contributing editor at *Wired* and the author of *Now the Hell Will Start: One Soldier's Flight From the Greatest Manhunt of World War II.*

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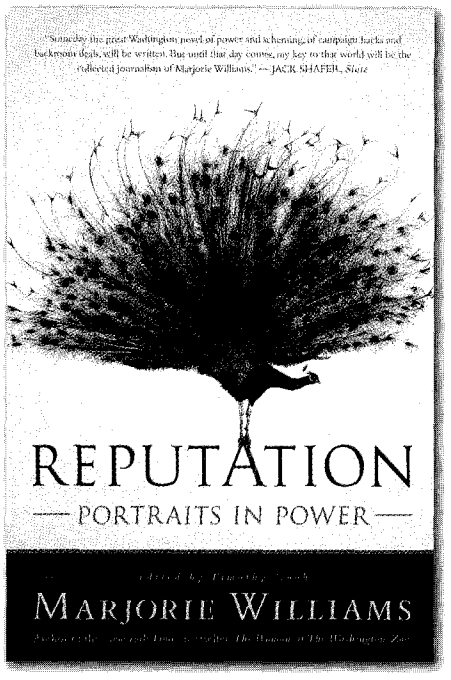
Courage in Profiles



Reputation: Portraits in Power
by Marjorie Williams, ed. Timothy Noah
Public Affairs, 320 pp.

How Marjorie Williams rendered the lives of Washington's powerful.

By Margaret Talbot

What would happen if we started getting all of our political news and commentary from the Internet? Lots of people already do, of course, and they get plenty of good stuff: pithy up-to-the-minute opinion, news nuggets delivered by bloggers who scorn sleep, groovy interactive graphics, smart statistical analyses of electoral trends from a new generation of info-nerds like the gifted Nate Silver of FiveThirtyEight.com. What they don't get—because the Internet is not a medium that generally favors length or pays enough to support writers through months of reporting on a single piece—is the revealing political profile. And, given the hegemony of the Internet in the news business, it's reasonable to ask whether the very genre is doomed. Magazines like the *New Yorker* and *Vanity Fair* still run long profiles, but newspapers that once showcased them, as the *Washington Post*'s sparkling Style section did in the 1990s, are less willing to lavish column inches and reporters' time on them. And with Internet-bred expectations of the reading experience whittling down our attention spans, perhaps fewer of us will have the patience to settle in with a leisurely piece of character analysis. I can't imagine a better case for why this would be a real loss than *Reputation*, the second collection of pieces by Marjorie Williams.

For much of her career, Williams was a writer's writer, admired by other journalists but less known to a wider reading public. Then in 2002, Williams, who was forty-four and the mother of two young children, was diagnosed with liver cancer. From her new perch as an opinion-page columnist for the *Washington Post*, she began to write the occasional essay about what it was like, as a mother, a wife, and a thinking person in her prime, to be blindsided by this singular bad luck. After she died in 2005, Williams's husband, *Slate* writer Timothy Noah, published a posthumous selection of some of her best work from *Vanity Fair* and the *Post*, among other places, in the book *The Woman at the Washington Zoo*. It became a best seller, partly because its startlingly honest personal pieces reached people in ways that the political profiles alone might not have. At times, those personal essays were so heartbreaking that they overshadowed the comparatively breezy, but never simple, craft of her journalism. The new collection is nearly all political profiles, and it brings back the Marjorie Williams I knew slightly and used to run into around our small town of D.C.—wry, mischievous, a social observer on whom nothing in the passing scene was lost.

Most journalism goes stale faster than a day-old baguette. The kind that you'd actually want to savor ten years or more after it was produced generally falls into one of three categories: eyewitness accounts of events so important that just being there to describe them elevates the results (William Shirer on the Third Reich, the war reporting of Ernie Pyle); writing so quasi-literary that it might not even have been all that legit as journalism in the first place (Joseph Mitchell's shaggy-dog stories about raffish New York characters, much of Hunter Thompson's oeuvre, Orwell's *Down and Out in Paris and London*); and journalism that is really biography on the fly, profiles offering insights into the psychology of power or fame that transcend interest in the person under scrutiny (some of the best "new journalism"

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of the 1970s, Lytton Strachey's *Eminent Victorians*). Williams's profiles belong to this last category. Some of the pieces in *Reputation* are about people in whom there is still active, newsy interest. The piece about Colin Powell, for instance, is a reminder that he was once the man we thought would be the first black president, and for good reason. On the other hand, James Baker, the alpha corporate lawyer and fix-it-guy who served as secretary of state under Bush Senior, Lawrence Walsh, the austere special prosecutor in the Iran-Contra affair, or Patricia Duff, the Balzacian beauty who married and divorced her way to Page Six prominence during the Clinton years, are not people whose next career moves most of us are hotly anticipating.

But that doesn't matter. Profiling these people allowed Williams to fashion a collective portrait of a distinctly Washingtonian type of striver, the workaholic power broker whose true vanity is to be above ideology, and, sometimes, above ideas. Maybe, like the bad-boy campaign operative Lee Atwater, they insist on seeing politics only as a pure and nasty game. Or maybe, like James Baker, they regard the appearance (if not the practice) of a career above politics and partisanship as the key to power. "Washington," Williams writes, "is not the only city that lauds and rewards a gifted manager. But only Washington, gazing on that package of skill, energy, calculation, and discipline that constitutes the successful 'player,' insists on calling it virtue." If there's a theory that ties these pieces together it is that these players make Washington run, but they are not the people who make history. "For the final lesson of success in Washington is that it is, by its nature, evanescent. Washington loves the ones who grease its gears. But history only remembers the ones who shift them."

Read these profiles back to back, and you realize that Williams was enviably free of the tics and shticks that characterize many journalists who produce a lot of words. She didn't have a typical trick for opening a story, or a handful of stock descriptions. There were, however, a few elements that all her profiles are built on, and in the interest of touting the genre—if younger journalists can't imitate her, they can certainly be inspired by her—it's worth naming them.

First of all, the Williams profile combines psychological, political, and anthropological observation in just the right, reader-satisfying measure. The Democratic fund-raising whiz Terry McAuliffe, we learn, is such an antsy and incorrigible schmoozer that he skips his wife's labor in favor of a party for the gossip columnist at the *Post*. He does manage, however, to send dime-store valentines every year to "the secretaries who controlled access to the executives he wanted to dun." (Another detail I liked: as a teenage entrepreneur, making money from clearing snow off driveways, McAuliffe made a habit of ironing the bills he earned: "One by one, he ironed the bills, just so, even adding spray starch to get them crisp, until he had a nice, flatly satisfying pile.") But beyond these sharp little insights into a personality, we also get something about the nuts and bolts of political fund-raising in the Clinton era, and about "the strange kernel of sociability" at the heart of the campaign finance system. In a short piece she wrote about George W. Bush during the 2000 campaign, Williams noticed his scowl—the "air of resentment" that was "by no means the dominant note in Bush's public persona," but was there nonetheless, and "puzzling for its place in a life so touched by advantage." Williams was onto something early—a personality flaw that would dog Bush as president, making him peevish when it came to taking in new information or alternate views of the world. "Petty angers like this, strangely, may be more worrisome in a candidate than the booming temper of which McCain stands accused," she wrote in 2000. "At least those who give voice to their tantrums, LBJ-like, tend to reach tranquility on the other side. But in a president, sins of small-mindedness are rarely small flaws." This insight still reverberates: surely one of the reasons Barack Obama won the presidency was his ability to project an almost Zen-like lack of resentment.

Second of all, a Williams profile is sprinkled with delicious quotes. A colleague of the talk-show host and "Mayor of Celebrityville" Larry King describes the latter as at his most genuine "when he's on the air. The rest of the time he could be kind of deflated, like a Macy's balloon that is sort of put away between parades." (That "kind of" and "sort of" are the coup de grâce of the quote: they bring home the vagueness of King's sense of self.) A *New York Times* employee, telling Williams about a new era of sensitivity training and diversity seminars at the paper, says, "There's a lot of hugging at the *New York Times* now. I've been hugged by people I don't even want to shake hands with." In his introduction, Noah praises his wife's "great ear for dialogue." She must have also had a great gift for chatting up her subjects. The best quotes rarely come from a journalist's dutifully posing questions on a list and sitting back to await the answers. A lot of memorable quotes are the fruits of memora-

In a piece about George W. Bush during the 2000 campaign, Williams noticed his scowl—the "air of resentment" that was "by no means the dominant note in Bush's public persona," but was there nonetheless, "puzzling for its place in a life so touched by advantage."

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ble conversation—a journalist's teasing, or piquing a slightly bored source's interest with her own curiosity about the subject, or gamely throwing out theories of her own—and I suspect Williams was a natural at those arts.

A Williams profile used physical description in a way that actually told the reader something about the person, rather than merely plugging in the physical-description slot—the perfunctory "So and so, who is tall, and wore a brown coat" that does the job in some magazine writing. Williams earns that favorite compliment of nonfiction writers: her descriptive details are "novelistic." Patricia Duff speaks in a voice that "is soft and sandpapery—too deep to be kittenish, but with a definite help-me hush." Duff's ex-husband, the immensely rich Revlon magnate Ronald Perelman, is a "dense bullet of a man, compactly contained in a tightly fitted shirt." James Baker's smile is "what the dental hygienist asks you to emulate when she wants to get at your back molars. Teeth bared, cheeks pulled straight back towards the ears, it seems a function strictly of the facial muscles; the fellow-feeling sketched in the smile rarely spreads as far as the eyes."

And lastly, Williams wasn't afraid to make a judgment. Lee Atwater, she proclaims, was "a scoundrel, one of the darkest figures to dominate our recent politics," and "something worse than a bigot; he was a man who pretended to be a bigot in hope that it would sell." The glossy, politically conservative career gals of the Independent Women's Forum embraced "all the most advantageous gains of the women's movement and then anathematize[d] the more controversial or inconvenient bits, exuding an I-got-mine contempt for anyone still mired in problems old-fashioned enough to call for some form of social redress." And here's the thing: it's hard to render these kinds of judgments about people who have allowed you, to varying degrees, into their lives, with whom you may have spent days or weeks or even months, and come to have seen, at the very least, as human. Sometimes, in fact, it's easier and better for a writer taking on a public figure not to have spent time with him, but to look at his record from a distance. And yet, if you do what it is that Marjorie Williams did so well, you achieve a perspective more like the omniscient narrator in a novel. In Williams's work, real people, like characters in good novels, got the clear-eyed treatment, but they were also granted a context for their flaws, and the grace of understanding. WM

Marjorie Williams

Courtesy of Public Affairs

"Washington," Williams writes, "is not the only city that lauds and rewards a gifted manager. But only Washington, gazing on that package of skill, energy, calculation, and discipline that constitutes the successful 'player,' insists on calling it virtue."

Margaret Talbot is a staff writer at the *New Yorker* and a senior fellow at the New America Foundation.

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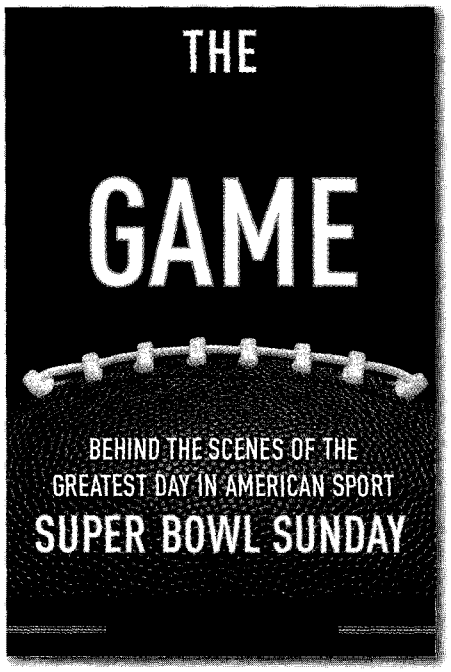
Guacamole on Your Shorts



The Billion Dollar Game: Behind-the-Scenes of the Greatest Day in American Sport—Super Bowl Sunday

by Allen St. John
Doubleday, 272 pp.

Searching, futilely, for the Super Bowl's deeper meaning.

By Jamie Malanowski

The Billion Dollar Game: Behind-the-Scenes of the Greatest Day in American Sport—Super Bowl Sunday, by Allen St. John, is a detailed behind-the-scenes look at all that goes into the making of a Super Bowl (in this particular case, Super Bowl XLII, last February's victory of the New York Giants over the New England Patriots). As we have learned from David Halberstam and Tom Wolfe, one of the tricks to pulling off this kind of book is to Go Big, to make it seem as though by reading this tome, you're learning one of the hidden truths about civilization itself—or, at least, about America. Alas, if there is indeed a deeper unknown significance to the Super Bowl, Allen has not discovered it, though his book is not without its satisfactions.

The author of *Clapton's Guitar: Watching Wayne Henderson Build the Perfect Instrument*, St. John has a sharp eye for telling details, a very valuable skill that has no doubt endeared him to the editors for whom he frequently works at the *Wall Street Journal*, the *New York Times Magazine*, *Rolling Stone*, and many other newspapers and magazines. Happily, he lets us into a wealth of football arcana. For instance, Troy Aikman, the three-time Super Bowl-winning quarterback for the Dallas Cowboys, who serves as a color commentator for Fox Sports, was the only boy among thirty-eight students in his high school typing class, and was so good that he represented the school in a typing contest at Okmulgee State Tech, and won. (Who knew?) It also turns out that all those glam Super Bowl halftime performers don't get paid anything (besides expenses) for playing. And during Prince's halftime show for Super Bowl XLI, in the middle of a downpour in Miami, a power cable was cut, and the performance managed to be broadcast thanks to a technician who, like a communications industry Paul Bunyan, held the severed cord together with his own bare hands for twelve whole Purple Rainy minutes.

St. John notes that Artie Kempner, the director of Fox's broadcast, can watch the tape of a football game and know not only which network broadcast it was on, but which director was in charge of the coverage. In one very sharp moment, St. John talks about the twenty freelance cameramen who captured Tom Brady, New England's star quarterback, outside the Greenwich Village townhouse of his supermodel girlfriend, Gisele Bündchen, a week before the AFC Championship Game, wearing a walking cast on his foot—a previously undisclosed injury that would have interested fans and especially bookies from coast to coast. St. John observes that the questions the crew asked betrayed that they were working for the celebrity-gossip outlet TMZ. "The fact that no one asked a single question about his gimpy foot revealed that this crew had much more experience in trailing Britney Spears than Peyton Manning."

But for all the very fine newspaper and magazine articles these morsels would have fueled, the whole is less than the sum of the parts. Perhaps the problem is that St. John, who seems like a very nice guy, almost always seems to take things at face value. He seldom seems to witness, let alone seek, examples of fatuousness, pomposity, and other prevalent vanities. At various times in this book he has in his sights the architect and aesthetic visionary Peter Eisenman, *Playboy* magazine owner (and my old boss) Hugh Hefner, television announcers, football players and coaches, and TV advertising overlords, and seldom is St. John's attitude anything other than gee-whizzy. All of these outsized players are presented as the springs and studs and flywheels of a watch, and are about as colorless.

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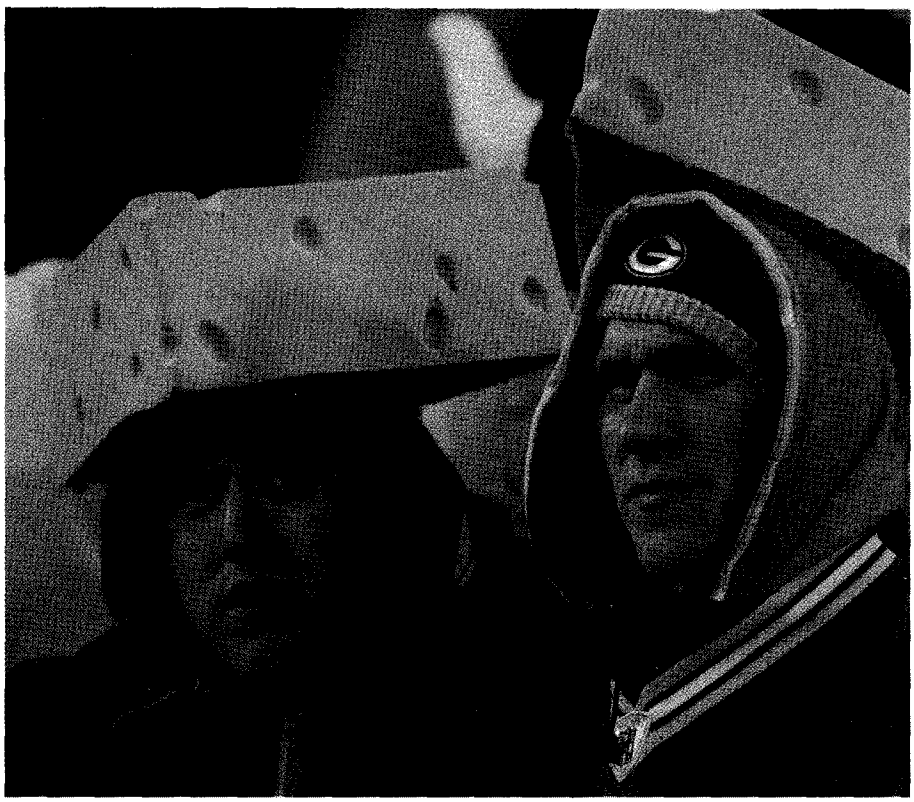
In fairness, St. John does try to summon some conclusions and get some wind beneath his wings that way. Why, he asks, does the country get charged up over the Super Bowl?



From the days when cavemen would gather around the fire after the day's hunt, societies have always needed a time and place to come together, and Super Bowl Sunday is ours, a moment that gives us comfort and communion, even as we scream at our flat-screen televisions. It is a time when, for a few hours, America simply stops. Sixty minutes of professional football, punctuated by commercials, on the first Sunday in February has become a time when we can project our hopes and dreams, a place where we can display our best vision of ourselves.

Comfort and communion? Hopes and dreams? Our best vision of ourselves? Really? Geez, in my best vision of America, none of us has guacamole stains on his shirt. This hefty load of bull appears on the final page of St. John's book, and endings being as tough to come up with as they are, he shouldn't be judged too harshly for trying to dazzle us with some soaring rhetoric and then dashing for the door. But it really is nonsense.

There are a lot of reasons that the Super Bowl has become the event that it is. One is very simple: it is a single-elimination game, so viewers who care about the event don't have to devote multiple days to viewing it. It is also always played on Sunday, which is still a day of rest for a great many people, and a day that for nearly half the year is the regular home of the NFL. Even before the training camps open, the NFL can tell you exactly where and when the season's championship will be decided. None of the other major sports can do that.

Another reason for the Super Bowl's primacy is that the National Football League is primarily a TV show. A raffish stepbrother to the college game for the first four decades of its existence, the league took off when it found a home on the tube. And while football can be counted on to achieve high ratings, an appointment program like the finale of *M*A*S*H** or the "Who Shot J.R.?" episode of *Dallas* racks up the viewers as well. Think of the Super Bowl as an appointment show for the most popular program on the air.

But there is one word St. John invoked in his valediction which bears some thought: "cavemen." Super Bowl Sunday does not really fall, as St. John at one point contends, "into the holiday gap between New Year's Day and Valentine's Day." Super Bowl Sunday is really the last of America's prolonged interdenominational, generic Holiday Season, which begins on Thanksgiving, and includes Hanukkah, Kwanzaa, that conjoined celebration of God and Mammon, Christmas, the Nobody Does Any Work in the Week After Christmas Week, New Year's Eve and New Year's Day, Martin Luther King Day—and, finally, Super Bowl Sunday, the last excuse to have a party until Memorial Day. And of all of these days, Super Bowl Sunday is really the holiday for *guys*. Thanksgiving and Christmas are all about feminine values and virtues—home, hearth, family, children, giving, cooking, baking, large demonstrations of love—and it's a beautiful thing that we have them. Not for nothing is this season the culmination of the year, a time of peace and reflection. But after awhile, enough is enough, and so we have developed a holiday devoted to guy enthusiasms—wearing loud, brightly colored jerseys (and, when appropriate, pig snouts, Viking horns, cheeseheads, and similar ugly and ridiculous accessories); eating high-fat, high-calorie, high-cholesterol foods; drinking excessively; gambling excessively; and shouting such manifestly un-Christmasy things as "Kill him!" Throw in color guards, Air Force flyovers, half-dressed cheerleaders, and a big bucket of statistics for the more bookish fellows, and even if a giant erect penis is not wheeled out (as happens at festivals in places even less subtle than America), the ads for Cialis and Viagra make the point: This is Guy Day, and women should indulge us.

And why not? If Thanksgiving and Christmas haven't been enough, Valentine's Day, the holiday of romance and extortion, lies just around the corner. WM

Jamie Malanowski is a New York writer. His last book was *The Coup*, a satirical novel set in the nation's capital.

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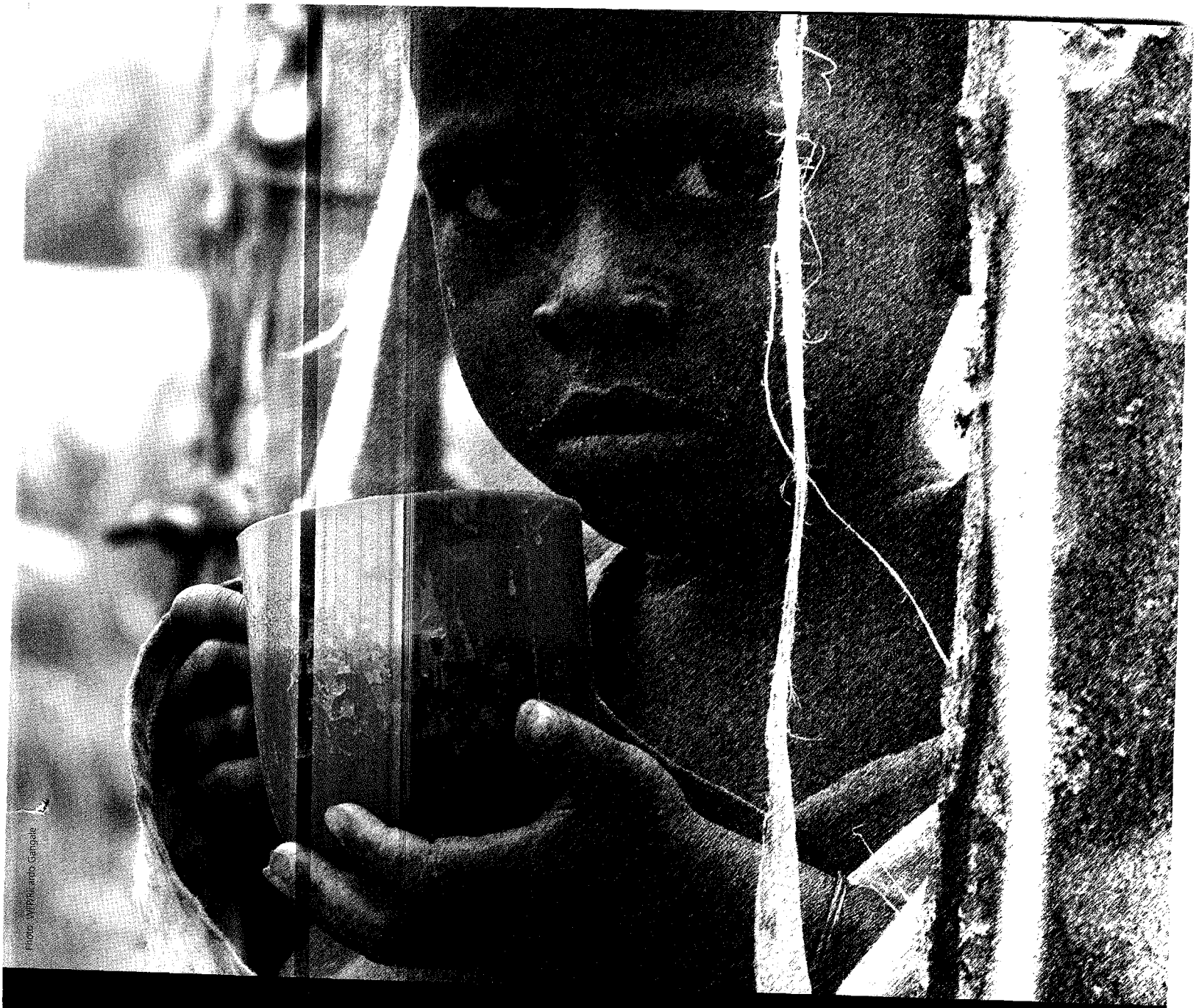

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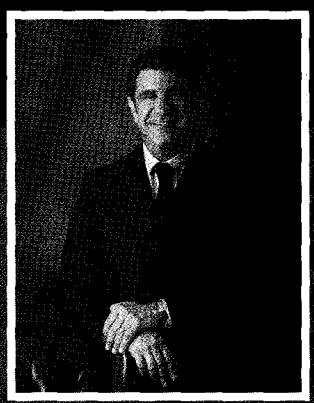

Roger Smith
President and CEO
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